

13 September 2016

<b>Committee</b>	Audit
<b>Date</b>	Wednesday, 21 September 2016
<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**

## **Agenda**

### **1. ANNOUNCEMENTS**

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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.



<b>Item</b>	<b>Page(s)</b>
<b>3. 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. MINUTES</b>	1 - 10
To approve the Minutes of the meeting held on 22 June 2016.	
<b>5. AUDIT COMMITTEE WORK PROGRAMME</b>	11 - 17
To consider the Audit Committee's Work Programme.	
<b>6. GRANT THORNTON AUDIT FINDINGS</b>	18 - 54
To consider Grant Thornton's audit findings 2015/16.	
<b>7. LETTER OF REPRESENTATION</b>	55 - 57
To consider the S.151 Officer's Letter of Representation on the closure of the accounts for the year ended 31 March 2016.	
<b>8. STATEMENT OF ACCOUNTS 2015/16</b>	58 - 163
To approve the Statement of Accounts 2015/16.	
<b>9. INTERNAL AUDIT PLAN MONITORING REPORT</b>	164 - 185
To consider the Internal Audit work undertaken and the assurance given on the adequacy of internal controls operating in the systems audited.	
<b>10. ANTI-FRAUD AND CORRUPTION POLICY</b>	186 - 205
To recommend to the Executive Committee the approval of the updated Anti-Fraud and Corruption Policy.	
<b>11. WHISTLEBLOWING POLICY</b>	206 - 219
To recommend to Executive Committee that the updated Whistleblowing Policy be approved, subject to any minor amendments as a result of consultation with the GO Shared Service partnership (GOSS).	
<b>12. REGULATION OF INVESTIGATORY POWERS ACT 2000</b>	220 - 248
To endorse the Regulation of Investigatory Powers Act 2000 Procedural Guide and to approve the Social Media Policy.	

**DATE OF NEXT MEETING**  
**WEDNESDAY, 14 DECEMBER 2016**  
**COUNCILLORS CONSTITUTING COMMITTEE**

Councillors: K J Cromwell, A J Evans, R Furolo (Chair), Mrs P A Godwin, B C J Hesketh, Mrs S E Hillier-Richardson and Mrs H C McLain (Vice-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, 22 June 2016 commencing  
at 2:00 pm**

**Present:**

Chair	Councillor R Furolo
Vice Chair	Councillor Mrs H C McLain

**and Councillors:**

B C J Hesketh and Mrs S E Hillier-Richardson

**AUD.3 ANNOUNCEMENTS**

- 3.1 The evacuation procedure, as noted on the Agenda, was taken as read.
- 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 K J Cromwell, A J Evans and Mrs P A Godwin. 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 23 March and 17 May 2016, copies of which had been circulated, were approved as correct records and signed by the Chair.

**AUD.7 GRANT THORNTON PROGRESS REPORT**

- 7.1 Attention was drawn to Grant Thornton's progress report, circulated at Pages No. 14-23, 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.
- 7.2 Members were advised that the fee letter for 2016/17 was the next item on the Agenda. The Audit Plan had been presented to the Audit Committee in March 2016 and there were no further changes to bring to Members' attention. The interim accounts audit had also been presented at the last meeting and, since that time, there had been some spare capacity within the team at Grant Thornton which had enabled additional testing to be carried out on certain items within the accounts.

One issue had been identified and resolved in respect of the proposed treatment and accounting arrangements for the Ubico partnership and the requirement for disclosure of group accounts. Following discussion with the Finance and Asset Management Group Manager and the Finance team, it had been concluded that it was not necessary to prepare group accounts. The final accounts audit was planned for completion by the end of August and the report would be brought to the Audit Committee in September 2016. Work was ongoing in respect of the value for money conclusion and the key messages arising would be reported in the Audit Findings Report once the accounts process had been completed.

7.3 Attention was drawn to two Grant Thornton ‘thinkpieces’ set out at Pages No. 20-21, one of which was ‘Knowing the Ropes – Audit Committee Effectiveness Review’ which had been circulated to the Committee previously. ‘Better Together: Building a successful joint venture company’ had been shared with the Chief Executive and relevant Managers and the Audit Manager from Grant Thornton undertook to circulate this report to Members following the meeting. It was noted that Page No. 22 related to a CIPFA publication in respect of fighting fraud and corruption locally which applied mainly to housing benefit.

7.4 It was

**RESOLVED** That the Grant Thornton progress report be **NOTED**.

#### **AUD.8 GRANT THORNTON FEES LETTER 2016/17**

8.1 Attention was drawn to Grant Thornton’s fees letter, circulated at Pages No. 24-27, which set out the proposed fee, together with the scope and timing, for the work for 2016/17. Members were asked to consider the fee letter.

8.2 The Audit Manager from Grant Thornton explained that the scale fee for 2016/17 was £44,921, which was a reduction from the fee paid in 2014/15 but in line with the fee for the previous year, and included the value for money conclusion. The grant certification was billed separately and had been set at £9,525 based on the previous year. The outline audit timetable was shown at Page No. 26 and, whilst this was subject to change, assurance was provided that reporting would be within standard guidelines and deadlines.

8.3 Page No. 27 of the report set out the key members of the audit team for 2016/17. It was noted that the Engagement Lead was listed as Alex Walling, who was actually the previous Engagement Lead, and assurance was provided that this was just a technicality; Julie Masci would be acting as the Engagement Lead for Tewkesbury Borough Council.

8.4 It was

**RESOLVED** That the Grant Thornton Fees Letter 2016/17 be **NOTED**.

#### **AUD.9 INTERNAL AUDIT PLAN MONITORING REPORT**

9.1 The report of the Corporate Services Group Manager, circulated at Pages No. 28-40, was the final monitoring report of the financial year and summarised the remaining work undertaken by the Internal Audit team during 2015/16. Members were asked to consider the audit work completed and the assurance given on the adequacy of internal controls operating in the systems audited.

- 9.2 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 2015/16 Audit Plan, and their progress to date, could be found at Appendix 2 to the report. The Corporate Services Group Manager advised that there were two audits outstanding, economic development grants and housing benefit, and they would be reported during the current financial year. Appendix 3 to the report contained a summary of all audit recommendations and their status.
- 9.3 Members were informed that there were three control objectives in relation to the ICT Helpdesk audit: procedures and service level agreements are documented for the ICT helpdesk; helpdesk calls are logged, classified and allocated to an officer for resolution in a timely manner; and a central knowledge base exists for both users and helpdesk staff. All objectives had been achieved to a satisfactory level of assurance and Members were advised that a new 'Freshservice' self-service portal had been created for staff to report any ICT issues or requests; this helped the team to track user issues and assign tasks etc. A number of recommendations had been made including the documentation of supporting procedures; a periodic check of open tickets; and further promotion of the self-service portal. It was noted that, whilst a number of telephone calls were still being received by the helpdesk, there had been a 25% reduction since the self-service portal had been introduced. The Property team was now looking to roll out a similar system to deal with requests for refreshments, room layouts etc.
- 9.4 Ubico and Tewkesbury Borough Council were jointly responsible for delivering the trade waste service, policy and charging: the Council was responsible for debt recovery, promotion, and marketing and invoicing; and Ubico was responsible for contracts and database maintenance. The audit of the service had resulted in two 'limited' opinions and one 'unsatisfactory' opinion had been given. In terms of ensuring that commercial waste charges were approved and reviewed on a regular basis, the audit had identified that, although charges had been updated for 2015/16, no review had been undertaken for 2016/17. As the Council was aiming to become more commercially aware it was considered that the charges should be supported by a business case. In addition, the financial data provided by Ubico was very high level, and more detailed information was required to provide a greater understanding of where expenditure was being incurred. The audit also noted that, although it was something which the Council was proposing to introduce for domestic waste, there was no offer of a separate recycled trade waste collection service in respect of paper, plastic, metal and glass and, as such, there was potential to be non-compliant to legislation. In terms of the raising of invoices and recovery of debt, there was a satisfactory level of assurance in respect of the administration of the database and the way payments were received, however, there was no formal recovery action being taken by the Environmental Heath team. Furthermore, the performance of the service was not currently being measured using the Key Performance Indicators (KPIs), of which there were two concerning the percentage of collections completed on schedule and percentage of service complaints received against weekly collections, so an unsatisfactory opinion had been issued in respect of performance monitoring.
- 9.5 In terms of the management response, some operational requirements would be dealt with in year; the Council Plan included a fees and charges strategy for all services and the Corporate Services Group Manager indicated that his team would help to resolve the issue with performance monitoring and ensure that the information was included within Ubico's overall performance management report which was taken to the Overview and Scrutiny Committee. Members were advised that one of the Council Plan actions was to review the trade waste service in its entirety in order to make it more commercially viable as there was scope to generate additional income. The Finance Manager advised that £75,000 of debt had been outstanding in February 2016 and her team had worked with Ubico to reduce that to £11,000. A new, more automated, system had now been introduced

whereby a letter was sent after 28 days informing the customer that payment was late; if payment was not made after a further 28 days, a second letter was sent advising that the service would be suspended if payment was not received within 28 days and, if payment was not made by that deadline, the service was suspended with immediate effect. A Member queried why this was not being addressed by Ubico and was informed that the Council carried out the invoicing as it did not have to charge VAT; Ubico could do the invoicing but it would have to charge VAT and therefore would be a greater cost to the Council. The Member went on to question whether this could be given further consideration and assurance was provided that a complete review of the service would be undertaken in accordance with the action in the Council Plan; this would include operational requirements, such as debt recovery, as well as a more strategic review of the future direction of the service. A Member suggested that it might be beneficial for the Overview and Scrutiny Committee to undertake the review and the Corporate Services Group Manager undertook to raise this with the Corporate Leadership Team. It was noted that, on the basis of the limited and unsatisfactory opinions which had been issued, a further update would be brought to the Committee at its meeting in December.

9.6 With regard to Appendix 3, which set out the outstanding audit recommendations, Members were informed that target follow-up dates had been included on a quarterly basis. During quarter 4, all recommendations had been completed and implemented for car parks, complaints, Disabled Facilities Grants and housing benefit debtors. With regard to tree inspections, one recommendation had not been implemented in respect of establishing a database of tree inspections, however, the Asset Manager had provided verbal confirmation that he was in the process of addressing this.

9.7 Having considered the information provided, it was

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

#### **AUD.10 INTERNAL AUDIT ANNUAL REPORT 2015/16**

10.1 Attention was drawn to the report of the Corporate Services Group Manager, circulated at Pages No. 41-47, which provided Members with a summary of the internal audit work undertaken for 2015/16, 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.

10.2 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. 43, Paragraph 2.2 of the report, gave an overview of the audits undertaken during the year. There were two audits outstanding from the 2015/16 Plan in respect of housing benefits and economic development (grants) and days had been allocated within the 2016/17 Plan to carry out that work. As well as internal work, the team also provided an internal audit service to Tewkesbury Town Council. This arrangement had commenced part way through 2014/15 and days had been formally allocated within the 2016/17 Plan to accommodate that work on an ongoing basis. In addition, the Internal Audit team also undertook a variety of corporate improvement work initiatives. The Audit Plan contained an allocation of days for that type of work and the Corporate Leadership team could request that the Internal Audit team assist with areas of work which needed to be moved forward, for example, during the year the team had assisted with the ICT asset inventory which had been given an unsatisfactory audit opinion; corporate fraud arrangements based on the Chartered Institute of Public Finance and Accountancy

(CIPFA) checklist; Environmental Health and Development service reviews; and work on the cost of the Uniform system as part of the Digital Strategy. The team was also represented on key corporate groups such as the Corporate Governance Group and the 'Keep Safe, Stay Healthy' Group.

- 10.3 Members were advised that 46 audit opinions had been issued during the year, as set out at Page No. 44, Paragraph 3.2. There were four limited opinions which related to the corporate complaints framework, Cascades stock control and aspects of the trade waste service; and two unsatisfactory opinions, relating to trees inspections and trade waste (performance monitoring). The Corporate Services Group Manager explained that Officers worked in a complex environment with a number of schemes, policies and procedures which meant that there would always be areas where assurance was limited or unsatisfactory; the important part was recognising those areas and taking action to make improvements. In relation to the adverse audit opinions given during the year, there was adequate assurance that these had been, or were being, acted upon. For example, a new complaints framework had been introduced, a new regime had been established for tree inspections which was supported with mobile device technology and the issue in relation to stock control at Cascades had been mitigated with the opening of the new leisure centre.
- 10.4 Management of internal audit was overseen by the Corporate Services Group Manager and delivery of the annual Audit Plan was carried out by two full-time employees. During the course of the year, one employee had been on maternity leave and the position had been covered through a combination of an internal audit contractor and a short term secondment from another service area. A small restructure of the team had recently taken place but continued to be based on two full-time employees; the team now comprised two part-time employees and one full time employee who had been in post since 1 April 2016. It was noted that one employee now undertook a Senior Auditor role.
- 10.5 As defined in the Audit Charter, the Internal Audit team had remained organisationally independent during 2015/16. The Corporate Services Group Manager reported directly to the Chief Executive and held quarterly briefings with the Chair and Vice-Chair of the Audit Committee to keep them informed of internal audit activity during the year. It was not uncommon within a small District Council for the Chief Audit Executive, i.e. the Corporate Services Group Manager, to also have operational responsibility for service areas. Moving forward into 2016/17, the team would be working towards demonstrating compliance with PSIAS in preparation for the external peer review of the Internal Audit team and it was to be borne in mind that the independence of the Chief Audit Executive had the potential to be raised due to his operational responsibilities.
- 10.6 It was noted that there had been no reported incidents of fraud, theft, corruption or whistleblowing during the financial year. The Anti-Fraud and Corruption and Whistleblowing Policies were both programmed for review in 2016/17 and would be presented to the Audit Committee. 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 91%. Based upon the work undertaken during the year, particularly in terms of the small number of limited/unsatisfactory opinions and the management response, Internal Audit could provide reasonable assurance that, overall, there was generally 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 2016/17 Audit Plan which had been approved by the Audit Committee in March. As previously mentioned,

the team would also be working towards broad compliance with PSIAS in readiness for the peer review, which it was anticipated would be programmed for the first quarter of 2017/18, and it was noted that a report would be brought to the Committee in due course to approve the format of the review.

- 10.7 In response to a query regarding the leisure centre, the Finance and Asset Management Group Manager advised that Places for People had its own accounts as the operator of the facility; the only impact on the Council was the management fee which would be paid annually. Having considered the information provided, it was

**RESOLVED** That the internal audit annual report be **NOTED**.

#### **AUD.11 CRITICAL JUDGEMENTS AND ASSUMPTIONS MADE DURING THE PREPARATION OF THE STATEMENT OF ACCOUNTS**

- 11.1 The report of the Finance and Asset Management Group Manager, circulated at Pages No. 48-55, set out the critical accounting judgements and key sources of estimation uncertainty that would be used in preparing the 2015/16 accounts. Members were asked to approve the judgements and to note the key sources of estimation uncertainty.
- 11.2 The Finance Manager explained that the Council was required to produce an annual Statement of Accounts and the Audit Committee had approved the accounting policies to be used during the 2015/16 closedown at its meeting in March 2016. In applying the Council's accounting policies, certain judgements had to be made about complex transactions, or those involving uncertainty about future events. The judgements were set out at Appendix A of the report and would be included as a note in the Statement of Accounts; Members were informed that the main ones were the same as the previous year, for example, it had been deemed that the Council had control of the Swimming Bath Trust on the basis that it had the right to appoint the majority of representatives to the board and, as the management agent, it had control over the financial and operating policies of the pool. However, as the site had been revalued to nil in 2014/15, a decision had been taken not to prepare group accounts on the basis of immateriality. In terms of the Council joining Ubico on 1 April 2015, consideration needed to be given as to whether the Council had an interest in the company, and whether group accounts should be produced, and the Finance team had been in discussion with Grant Thornton in this regard. The conclusion which had been reached was that the Council did not have control over Ubico in an accounting sense; Tewkesbury Borough Council was one of six partners, each with a 16.7% share which was below the 20% threshold which was an indication of holding significant influence. Other factors which had been considered included representation on the board, participation in policy making, material transactions and management influence. It had been determined that there was no persuasive evidence that the Council had a significant level of control over the strategic direction and operation of Ubico and, therefore, group accounts did not need to be produced. In response to a Member query, the Finance Manager explained that Tewkesbury Borough Council had previously been one of three partners in Ubico but this had recently increased to six meaning that its influence had reduced and would continue to diminish as more partners joined over time. As there was no overall control, decisions were taken by the board based on a majority vote and clarification was provided that the board was comprised solely of Officers. The Member went on to question how the Council could ensure that the residents of the Borough were getting the best service if it did not have any influence and assurance was provided that the Council had taken a decision to retain control of service delivery through its contract with Ubico.

11.3 The Finance Manager advised that, in preparing the Statement of Accounts, there were areas where estimates were made. These areas were set out in detail at Appendix 3 to the report and included useful lives and valuations of properties which were estimated by qualified valuers; the amount of arrears which were not collected based on past experience of collection of different types of debt; and the liability for future pension payments, which was estimated by qualified actuaries. It was noted that one new area of estimation had been identified by Grant Thornton in relation to income from garden waste payments. Members were advised that the database contained 14,000 customers and it was impossible to look at every payment, given their value. It was noted that customers all had different renewal dates which meant that an annual payment could potentially span two different financial years, as such, a view had been taken that payments taken within the month were for renewals starting the following month; this was referred to as Receipts in Advance. A Member suggested that alternative systems could be considered, for example, in America, people paid for their bins upfront and a tag/sticker was attached to their gate; any properties without a tag/sticker did not have their bins collected. The Corporate Services Group Manager explained that this issue had been discussed at the last meeting of the Committee as part of the garden waste audit. It was recognised that a number of bins were being collected which had potentially not been paid for and he provided assurance that consideration was being given to alternative systems, including a sticker system, as part of the Joint Waste Team's review of the garden waste service.

11.4 Having considered the information provided, it was

**RESOLVED** That the critical accounting judgements that would be used in completing the 2015/16 annual accounts be **APPROVED** and the key sources of estimation uncertainty be **NOTED**.

## **AUD.12 ANNUAL GOVERNANCE STATEMENT 2015/16**

12.1 The report of the Corporate Governance Group, circulated at Pages No. 56-74, set out the Council's Annual Governance Statement 2015/16 which Members were asked to approve.

12.2 In introducing the report, the Borough Solicitor 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 five significant governance issues which would address the need for improvements that had been identified. 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, which had been identified previously but had not been delivered due to the Police and Crime Commissioner Elections and the EU Referendum which had been held in quick succession; risk management, which included a review of the Risk Management Strategy and a workshop on risk appetite; business continuity; Audit Committee effectiveness; and the development and approval of a Workforce Development Strategy.

12.3 It was

**RESOLVED** That the Annual Governance Statement 2015/16 be **APPROVED**.

**AUD.13 CORPORATE RISK REGISTER**

- 13.1 The report of the Corporate Services Group Manager, circulated at Pages No. 75-83, attached the corporate risk register which had been reintroduced in 2014. Members were asked to consider the corporate risk register and the risks contained within it.
- 13.2 Members were advised that the risk management framework, including the Risk Management Strategy and risk register, would be formally reviewed during 2016/17 as identified within the Annual Governance Statement 2015/16. The Transform Working Group had suggested that there was a shift in the risk appetite of the Council, for instance, a willingness to explore commercial opportunities, and this should be reflected in the new strategy. The target date for the completion of this work was December 2017. The Council's overall risk management arrangements were overseen by the Corporate Governance Group and the register, attached at Appendix 1 to the report, was a corporate document which had been endorsed by the Corporate Leadership Team. Members were informed that any changes since the last meeting of the Committee were highlighted in bold.
- 13.3 In terms of financial sustainability, it was noted that one of the Council Plan actions was to develop a programme of commercial projects which may assist with this risk. With regard to leadership capability, Members were reminded that the Protocol for Member/Officer Relations had been approved by the Council in April, as had the broad regeneration proposals for the Spring Gardens and Oldbury Road site which related to the risk around asset management. Members were informed that the production of a new Workforce Development Strategy had been put on hold due to sickness absence of the Lead Officer but this was now back on track with a completion date of September 2016. In relation to the delivery of operational services, it was noted that there would be a review of the performance monitoring report template during 2016/17 to ensure that a comprehensive picture was being presented to Members.
- 13.4 A Member pointed out that the implementation date for the Joint Core Strategy was likely to slip even further based on the latest information and this should be updated within the register. It was

**RESOLVED** That the information contained within the corporate risk register be **NOTED**.

**AUD.14 ANNUAL REPORT ON HEALTH AND SAFETY ACTIVITIES**

- 14.1 Attention was drawn to the report of the Interim Environmental and Housing Services Group Manager, circulated at Pages No. 84-108, which attached, at Appendix 1, a summary of the activities carried out to secure health and safety compliance during 2015/16. Members were asked to consider the contents of the report and to agree that an annual report on health, safety and welfare-related matters be presented to the Audit Committee at its meeting following the end of the financial year.
- 14.2 Members received a presentation during which the following key points were raised
- Health and Safety Executive – “Organisations need to manage health and safety with the same degree of expertise and to the same standards as other core business activities, if they are effectively to control risks and prevent harm to people”.

- HSG65 “Managing Health and Safety” – A best-seller for the Health and Safety Executive; provides sound guidance on good practice in health and safety management; advocates action beyond what is strictly required by legislation e.g. audit or tool box talks.
- Plan [make policy and arrangements] – Effective health and safety policies set a clear direction for the organisation to follow: they contribute to all aspects of business performance as part of a demonstrable commitment to continuous improvement; responsibilities to people and the environment are met; stakeholders expectations in the activity are satisfied; there are cost-effective approaches to preserving and developing physical and human resources, which reduce financial losses and liabilities.
- Do (1) [take plans, objectives and make them happen] – An effective management structure and arrangements are in place for delivering the policy: all staff are motivated and empowered to work safely and to protect their long-term health, not simply to avoid accidents; there is a shared common understanding of the organisation’s vision, values and beliefs; a positive health and safety culture is fostered by the visible and active leadership of senior managers.
- Do (2) – There is a planned and systematic approach to implementing the health and safety policy through an effective health and safety management system: the aim is to minimise risks; risk assessment methods are used to prioritise; risks are eliminated through selection and design of facilities, equipment and processes; if risks cannot be eliminated, they are minimised; performance standards are established and used for measuring achievement; specific actions to promote a positive health and safety culture are identified.
- Check [measure performance, monitor, investigate] – Performance is measured against agreed standards to reveal when and where improvement is needed: active self-monitoring reveals how effectively the health and safety management system is functioning; look at both hardware (premises, plant and substances) and software (people, procedures and systems); if control fails, reactive monitoring discovers why by investigating accidents, ill-health or incidents which could cause harm or loss; the objectives of active and reactive monitoring were to determine the immediate causes of sub-standard performance and to identify the underlying causes and implications for the design and operation of the health and safety management system; longer-term objectives are also monitored.
- Act [review findings from observation of practice] – The organisation learns from all relevant experience and applies the lessons: there is a systematic review of performance based on data from monitoring and from independent audits of the whole health and safety management system; strong commitment to continuous improvement involving the constant development of policies, systems and techniques of risk control; performance is also often recorded in annual reports.

14.3 A Member drew attention to Page No. 92 of Appendix 1 to the report, which stated that the health, safety and welfare policy was updated 'regularly' and he sought clarification as to how often that actually was. The Environmental Health Manager advised that the policy was updated annually and was currently going through minor revisions to amend job titles etc. Any substantial changes would be taken to the 'Keep Safe, Stay Healthy' Group. A Member questioned how the Council proved that it was compliant with HSG65 and was informed that the Health and Safety Executive provided a lot of online documentation including a checklist which was used by the Council to assess its performance. The Council was currently approximately 80% compliant against the self-assessment. A Member drew attention to Page No. 100 of Appendix 1 to the report which still referred to there being three partners in Ubico. The Borough Solicitor confirmed that the number of partners had increased from three to six as of 1 April 2016 which was outside of the period covered by the report.

14.4 It was

**RESOLVED**

1. That the contents of the Health and Safety Annual Report 2016 be **NOTED**.
2. That an annual report on health, safety and welfare-related matters be presented to the Audit Committee at the meeting following the end of the financial year.

The meeting closed at 3:25 pm

## AUDIT COMMITTEE WORK PROGRAMME

Committee Date: 14 December 2016			
Agenda Item	Overview of Agenda Item	Lead Officer	Has agenda item previously been deferred? Details and date of deferment required
Grant Thornton Progress Report	To consider the external auditor's report on progress against planned outputs.	Grant Thornton.	No.
Annual Audit Letter 2015/16	To consider Grant Thornton's Audit Letter 2015/16.	Grant Thornton.	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, Corporate Services Group Manager.	No.
Trade Waste Audit	To update the Committee on the management response to the findings of the trade waste internal audit report which was presented in March 2016.	Richard Kirk, Interim Environmental and Housing Services Group Manager.	No.
Counter Fraud Unit Business Case	To consider the options for the Council's approach to counter fraud.	Simon Dix, Finance and Asset Management Group Manager	
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.	Richard Kirk, Interim Environmental and Housing Services Group Manager.	No.

11

Agenda Item 5

NB – Changes from previous work programme highlighted in bold

**Committee Date: 14 December 2016**

<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>
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.
Corporate Risk Register	To consider the risk register and the risks contained within it.	Graeme Simpson, Corporate Services Group Manager.	No.

<b>Committee Date 22 March 2017</b>			
<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>
Grant Thornton Progress Report	To consider the external auditor's report on progress against planned outputs.	Grant Thornton.	No.
Grant Thornton Audit Plan	To consider Grant Thornton's Audit Plan.	Grant Thornton.	No.
Grant Thornton Certification Year End Letter March 2016	To consider the certification year-end letter March 2016.	Grant Thornton.	No.
Statement of Accounting Policies	To approve the accounting policies to be used during the 2016/17 closedown.	Emma Harley, Finance Manager.	No.
Early Close Down Checklist for Statement of Accounts	To consider the outcomes of the self-assessment which is required to meet the new closure date for statement of accounts	Simon Dix	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, Corporate Services Group Manager.	No.
Internal Audit Plan 2017/18	To approve the Internal Audit Plan 2017/18.	Graeme Simpson, Corporate Services Group Manager.	No.
PSISA Independent Review Report Format	To approve the approach to the independent five year review of Internal Audit.	Graeme Simpson, Corporate Services Group Manager.	No.

**NB – Changes from previous work programme highlighted in bold**

<b>Committee Date 22 March 2017</b>			
<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>
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.
Corporate Risk Register	To consider the risk register and the risks contained within it.	Graeme Simpson, Corporate Services Group Manager.	No.

<b>Committee Date June 2017</b>			
<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>
Grant Thornton Progress Report	To consider the external auditor's report on progress against planned outputs.	Grant Thornton.	No.
Grant Thornton Fees Letters 2017/18	To consider the fee letter from Grant Thornton in relation to the audit work to be undertaken during 2017/18.	Grant Thornton.	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, Corporate Services Group Manager.	No.
Internal Audit Annual Report 2016/17	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, Corporate Services Group 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.
Annual Governance Statement 2016/17	To approve the Annual Governance Statement 2016/17.	Sara Freckleton, Borough Solicitor.	No.
National Fraud Initiative 2016/17	To consider the outcomes of the data matching exercise.	Richard Horton, Revenues and Benefits Group Manager.	No.

**NB – Changes from previous work programme highlighted in bold**

<b>Committee Date June 2017</b>			
<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>
Corporate Risk Register	To consider the risk register and the risks contained within it.	Graeme Simpson, Corporate Services Group Manager.	No.
Annual Report on Health and Safety Activities	To consider the adequacy of the Council's health and safety arrangements.	David Steels, Environmental Health Manager.	No.

<b>Committee Date September 2017</b>			
<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>
Grant Thornton Audit Findings	To consider Grant Thornton's Audit Findings 2016/17.	Grant Thornton.	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 2017.	Simon Dix	No.
Statement of Accounts 2016/17	To approve the Statement of Accounts 2016/17.	Simon Dix, Finance and Asset Management Group 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, Corporate Services Group Manager.	No.
Corporate Risk Register	To consider the risk register and the risks contained within it.	Graeme Simpson, Corporate Services Group Manager.	No.

# The Audit Findings for Tewkesbury Borough Council

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**Year ended 31 March 2016**

12 September 2016

**Alex Walling**

Engagement Lead  
T 0117 305 7804  
E alex.j.walling@uk.gt.com

**Julie Masci**

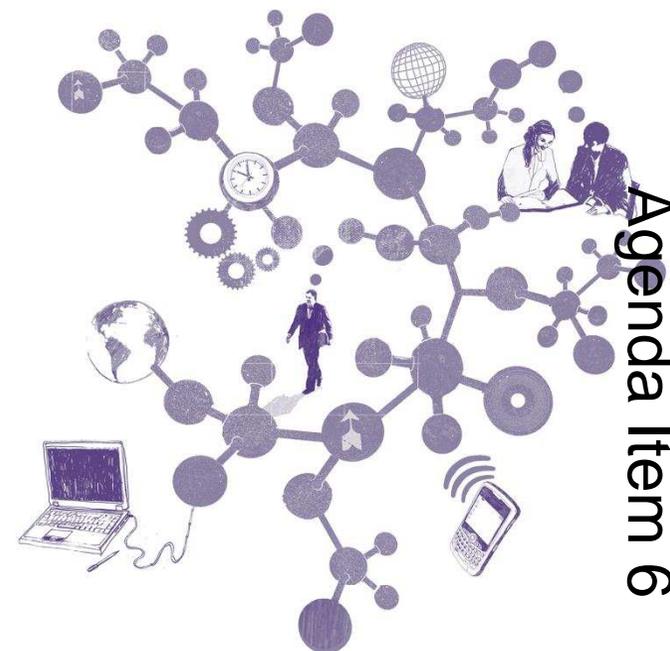
Associate Director  
T 029 2034 7506  
E julie.masci@uk.gt.com

**David A Johnson**

Audit Manager  
T 0117 305 7784  
E david.a.johnson@uk.gt.com

**Claudia Ntjortjis**

In Charge Accountant  
T 0117 305 7561  
E Claudia.j.Ntjortjis@uk.gt.com



Agenda Item 6

Tewkesbury Borough Council  
Council Offices  
Gloucester Road  
Tewkesbury  
GL20 5TT

Grant Thornton UK LLP  
Hartwell House  
55-61 Victoria Street  
Bristol  
BS1 6FT  
T +44 (0) 117 305 7600  
[www.grant-thornton.co.uk](http://www.grant-thornton.co.uk)

12 September 2016

Dear Members of the Audit Committee

**Audit Findings for Tewkesbury Borough Council for the year ending 31 March 2016**

This Audit Findings report highlights the key findings arising from the audit for the benefit of those charged with governance (in the case of Tewkesbury Borough Council, the Audit Committee), 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 auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), 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

Alex Walling  
Engagement Lead

**Chartered Accountants**

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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 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 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, whether it is consistent with the financial statements and in line with required guidance.

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 relevant period.

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 14 March 2016.

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

- review of the final version of the financial statements;
- obtaining and reviewing the management letter of representation;
- review of the final 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

The draft financial statements for the year ended 31 March 2016 recorded net expenditure of £9,038k. The audited financial statements have not identified any adjustments affecting the reported position. Further details are set out in section two of this report.

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

- We received the draft accounts ahead of the statutory deadline and working papers continue to be of a high quality
- The accounts contained only a small number of disclosure errors; which have been adjusted by management.
- Finance staff responded promptly to all audit queries

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 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.

## 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 identified two control weaknesses set out on page 17. These were formally reported to the Committee as part of our interim report in March 2016 and have been accepted by officers.

Further details are provided on page 17 of this report.

### **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 and we propose to give an unqualified VfM conclusion.

Further detail of our work on Value for Money is 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 2016. We will report the outcome of this certification work through a separate report to the Audit Committee which is due in December 2016.

### **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.

### **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 2016**

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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 International Standard on Auditing (UK & Ireland) (ISA) 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 £698,000 (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 which misstatements would be clearly trivial to be £33,000. 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.

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Balance/transaction/disclosure	Explanation	Materiality level
Cash and cash equivalents	Although the balance of cash and cash equivalents is immaterial, all transactions made by the Council affect the balance and it is therefore considered to be material by nature.	£1,000
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.	£1,000
Disclosure of auditors' remuneration in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£1,000

# Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to 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 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
27	<p><b>1. The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk that revenue 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>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; and</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>Our audit work has not identified any issues in respect of revenue recognition.</p>
	<p><b>2. 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>	<ul style="list-style-type: none"> <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 significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</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.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p style="text-align: center; font-size: 2em;">28</p> <p>Employee remuneration</p>	<p>Employee remuneration accruals understated (Remuneration expenses not correct)</p>	<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 whether those controls were in line with our documented understanding</li> <li>• Substantive testing of individual employee remuneration transactions including:                             <ul style="list-style-type: none"> <li>• Testing the reconciliation of employee remuneration expenditure in the financial statements to the general ledger and payroll subsystems</li> <li>• Review of payroll trends for completeness</li> <li>• Sample testing payroll expenditure to source documents</li> </ul> </li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<p>Operating expenses</p>	<p>Creditors understated or not recorded in the correct period (Operating expenses understated)</p>	<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>• Gained an understanding of the accruals processed for unprocessed invoices and expenditure incurred but not yet invoiced</li> <li>• Substantive testing of operating expenses transactions including:                             <ul style="list-style-type: none"> <li>• Testing a sample of post year-end payments to confirm completeness</li> <li>• Testing a sample of transactions to confirm correct disclosure in the SOA</li> </ul> </li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified</p>

## Significant matters discussed with management

	Significant matter	Commentary
29	1. Discussions or correspondence with management regarding accounting practices, the application of auditing standards, or fees for audit or other services.	<p>We have met with management regularly throughout the year to discuss accounting issues. We have held discussions in the following areas:</p> <ul style="list-style-type: none"> <li>• UBICO – The Council became an equal shareholder of Ubico Ltd on the 1st April 2015, membership was made up of five partners each with a one-fifth shareholding. At this point we concluded that group accounts were required. We discussed with officers changes to the structure of Ubico Ltd following the appointment of Stroud District Council as a partner on the 29 January 2016 when the Council's shareholding in Ubico decreased to a one-sixth share. The separate operating practices, management structure, the application of majority-voting on the Ubico board and the reduction in the Council's shareholding no longer constitute the Council having significant influence over the company. The Council's interest has therefore been classified as an investment in Ubico</li> <li>• Virgin Media – Discussions have been held with finance management over the continue to appeal by Virgin Media over business rates and as at 31 March 2016 no further evidence had been provided as to the basis of the appeal. Discussions continue to ensure that this is appropriately accounted for through provisions and to inform our VfM conclusion.</li> </ul>

# Accounting policies, estimates and judgements

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
<p style="text-align: center; font-size: 2em;">30</p> <p><b>Revenue recognition</b></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 the economic benefits or service potential associated with the transaction will flow to the Council.</li> <li>The Council Tax and Business Rates income recognised in the Comprehensive Income and Expenditure Statement is the Council's share of accrued Council Tax and business rates recognised in the Collection Fund. The transactions contained within the Collection Fund are prescribed by legislation as the Council, as a billing authority, have no discretion to deviate from this, whereas the income is recognised on a full accruals basis in the Comprehensive Income and Expenditure statement.</li> </ul>	<ul style="list-style-type: none"> <li>The accounting policy is appropriate and complies with the Code of Practice on Local authority Accounting (the Code).</li> <li>The extent of judgement involved is minimal as the vast majority of the Council's income is through Central Government funding.</li> <li>The disclosure of the accounting policy is adequate.</li> </ul>	<p style="text-align: center;">   <b>Green</b> </p>

**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

# Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
<b>Judgements and estimates</b>	<ul style="list-style-type: none"> <li>• Key estimates and judgements include:                             <ul style="list-style-type: none"> <li>– Useful life of capital equipment</li> <li>– PPE valuations</li> <li>– Impairments</li> <li>– Accruals</li> <li>– Valuation of pension fund net liability</li> <li>– Provision for NNDR appeals</li> </ul> </li> </ul>	Key estimates are appropriately calculated and have been correctly applied to balances within the statement of accounts.	 <b>Green</b>
<b>Going concern</b> 31	The Head of Finance and Asset Management, 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.	An assessment of the going concern assertion, on which the accounts are based, has been undertaken, and we are satisfied with management's assessment that the going concern basis is appropriate for the 2015/16 financial statements.	 <b>Green</b>
<b>Other accounting policies</b>	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	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.	 <b>Green</b>

**Assessment**

# Accounting policies, Estimates & Judgements – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	<ul style="list-style-type: none"> <li>Our review of the bad debt provision considered that the Council had under provided against the outstanding housing benefit debt. This leaves the Council at risk of not having enough resources to meet ongoing obligations should there be a change in the liability. The proposed change to universal credits has not yet identified who will be responsible for outstanding debt and it may be that the Council will no longer be able to reclaim overpayments against ongoing benefit entitlement. The Council should continue to monitor the bad debt provision to ensure it is adequate to meet future needs.</li> </ul>	<ul style="list-style-type: none"> <li>The Council have reviewed the bad debt provision for the outstanding housing benefit debt and have provided for 80% of the liability in the 2015/16 statement of accounts. The policy will remain under review until clarification over the universal credit process has been provided.</li> </ul>

32

**Assessment**  
 ✓ Action completed  
 X Not yet addressed

# 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. We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit.</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.	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests to third parties for bank and investment balances. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.</li> </ul>
6.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements.</li> </ul>
7.	<b>Matters on which we report by exception</b>	<p>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, or otherwise misleading, with the information in the audited financial statements or our knowledge of the Council acquired in the course of performing our audit.</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. In the case of Tewkesbury Borough Council, detailed work is not required as the Council does not exceed the WGA threshold.</p>

# Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration and Operating Expenses as set out on page 11 above.

The matters that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1.  34	●	<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>The Council should ensure that all journals over £10,000 are reviewed by an appropriate member of the finance staff to ensure that all transactions are appropriately processed and recorded.</p> <p><b>Management Response</b></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>

**Assessment**

- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

# Internal controls (continued)

	Assessment	Issue and risk	Recommendations
2.	●	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>The Council should review the way that receipts in advance are recorded and ensure that the revenue is recognised in the correct period.</p> <p><b>Management Response</b></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>In the 2014/15 financial statements the total income from garden waste was approximately £550k and the receipts in advance identified was £159k. Neither figure is material to the statements.</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 allocated all payments would move some of receipts in advance by 1 month, 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 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 we will make a disclosure about the estimation technique used in the notes, and state that it is not considered to have a material impact on the financial statements.</p>

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**Assessment**  
 ● Significant deficiency – risk of significant misstatement  
 ● Deficiency – risk of inconsequential misstatement

## Adjusted and Unadjusted misstatements

No such adjustments have been required in 2015/16

## 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	1,299	Contingent Asset	<p>Following the outcome of a European Court judgement a VAT tribunal ruled that local government off street parking is non business and therefore not subject to VAT. Following an appeal by Customs and Excise, of which the Council were notified on 16 December 2015, this decision has been reversed and the outstanding claim by the Council has been dismissed.</p> <p>The date of notification is prior to the balance sheet date and has been incorrectly disclosed in the statement of accounts. Management have removed the disclosure from the audited financial statements.</p>
2 Disclosure	-	Some minor changes were made to the financial statements to improve presentation such as ensuring cross references to other notes within the accounts were correct.	No effect on the overall financial position.

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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 2015. AGN 03 identifies one single criterion for auditors to evaluate:

*In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed 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 March 2016 and identified the following significant risk, which we communicated to you in our Audit Plan dated 14 March 2016.

- 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 and ongoing transformational changes. The continued appeal by the Council's largest business further enforces the need to identify alternative methods of achieving its financial position for the future.

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 risk 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 risk that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The Council achieved a surplus for 2015/16 and has set a balanced budget for 2016/17. The Medium Term Financial Strategy (MTFS) indicates that a balanced budget will be set in 2017/18.
- The total savings required over the five year period of the MTFS is £2.4m.
- Council tax has increased by £5 in 2016/17 and is forecast to increase by 2% for 2017/18 and 2% per annum thereafter, subject to changes in the capping limit. It is envisaged that if the capping limit is retained the increase will be £5 in 2017/18.
- Although New Homes Bonus has been capped at 65% of the total revenue budget, it is considered that there is still an over reliance on this funding as a source of income. It is noted that this is not core funding and that originally it was considered this source of funding would continue importunity. Any change is as a result in change of central government policy rather than Council planning.
- Savings plans identified for 2018/19 and beyond will need further consideration in order to ensure that identified savings are achievable.

We have set out more detail on the risk we identified, the results of the work performed and the conclusions we drew from this work later in this section on pages 24 to 26.

### **Overall conclusion**

Based on the work we performed to address this significant risk, 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 report, which confirms this can be found at Appendix B.

## Key findings

We set out below our key findings against the significant risk we identified through our risk assessment.

Significant risk	Work to address	Findings and conclusions
<p><b>Medium Term Financial Strategy</b>                      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 and ongoing transformational changes. The continued appeal by the Council's largest business further enforces the need to identify alternative methods of achieving its financial position for the future.</p> <p>41</p>	<p>We reviewed the project management and risk assurance frameworks established by the Council to enable it to identify, manage and monitor these risks.</p> <p>We reviewed 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 outlines the budget that will be delivered over the medium to long-term. A further report, specifically on the 2016/17 detailed budget, was presented to both Executive Committee and Council in January 2016 for Member approval. The MTFS also contains important strategic planning in a number of areas including the increase of Council Tax and the use of New Homes Bonus (NHB). The headline recommendations of the Strategy are as follows:</p> <ul style="list-style-type: none"> <li>• Council Tax to be increased by 2% for 2016/17 and with 2% increases thereafter.</li> <li>• NHB support to the base budget should not exceed 65% of the total allocation in any one year.</li> <li>• Tewkesbury Borough Council will operate outside of the Gloucestershire Business Rates Pool in 2016/17 and until such a time as the risk from Virgin Media is mitigated.</li> <li>• The Local Council Tax support scheme to remain unchanged in 2016/17</li> </ul> <p>Following the General Election in May 2015, the new Government announced a Summer Budget which outlined cuts to welfare spending along with further aspirations for tackling tax avoidance and a number of policy changes for pensions and employment. The budget contained no details about unprotected departmental spending including Local Government.</p> <p>Prior to the change in Chancellor, the plan was to allow local authorities to retain 100% of business rates. At the time of writing, no details about how the scheme will work or the additional responsibilities for local government have been confirmed. In addition, there is uncertainty about the elimination of core government funding. A significant risk to the Council will be if NHB is included within the scope, as this is currently worth around £3.3m annually to Tewkesbury Borough Council. In addition Local Government are awaiting the final response, following consultation, on the proposed New Homes Bonus Scheme. The continued delay and lack of information lends further uncertainty to future sources of funding and potential changes in Central Government policy.</p>

## Key findings

Significant risk	Work to address	Findings and conclusions
<p><b>Medium Term Financial Strategy</b>                      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 and ongoing transformational changes. The continued appeal by the Council's largest business further enforces the need to identify alternative methods of achieving its financial position for the future.</p> <p> CONTINUED</p>		<p>Tewkesbury Borough Council has benefited from high levels of NHB accumulating in the first five years of operation of the scheme. There has been a resurgence in house building activity in the Borough in recent years and with further substantial expansion planned in a number of locations in forthcoming years, the amount of NHB received on an annual basis could accelerate.</p> <p>2016/17 is the final additional year of the rolling six year support offered by NHB and is therefore the last substantial increase. Future years will either see growth or contraction dependent on the level of NHB generated against the NHB that is lost as the first years from the current scheme start to drop out.</p> <p>Even though a cap of 65% has been set for general support to the budget, this usage to balance the budget presents a risk to the Council. Any changes to the scheme itself or the distribution methodology would have a significant adverse impact on the Council's finances. Although there has been no specific announcement on any changes, it is clear that the NHB scheme is on the government's agenda as it remodels local government finance.</p> <p>The base budget for 2016/17 shows total forecast income of £25,154,349 and therefore NHB income accounts for approximately 13.4% of the total income. Whilst it is accepted that the Council has always been reliant on central government funding this has previously been in the form of core funding and grants that were replaced with other funding streams when phased out. The NHB is not considered core funding and as such could be phased out on any subsequent funding review. Therefore, the continued reliance on a single funding stream is still an area of concern and one that the Council needs to continually review in order that any shortfalls, or potential risks from changes can be mitigated.</p> <p>The Council has recorded a net underspend against its revenue budget of £289k in 2015/16. The underspend has been used to increase earmarked reserves and to cover technical accounting requirements and therefore the impact on the General fund is nil. It should be noted that the majority of these savings were one off and non recurrent and therefore any savings plan needs to identify the need for recurrent savings to ensure there is no reliance on unplanned savings. The Medium Term Financial Plan has acknowledged this and further work is required in this area especially in relation to 2018/19 and beyond.</p>

**Key findings**

Significant risk	Work to address	Findings and conclusions
<p><b>Medium Term Financial Strategy</b>                      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 and ongoing transformational changes. The continued appeal by the Council's largest business further enforces the need to identify alternative methods of achieving its financial position for the future.</p> <p>43</p>		<p>The Council has undertaken an extensive process for identifying savings and has looked at opportunities for further income generation. The Council are limited as a small District Council as to how further savings can be made and are potentially more susceptible to changes in Government funding. The exercise undertaken will require further review to ensure that potential savings are realised. It is noted from the savings identified that the Council propose to use approximately £661k from reserves to meet the 2017/18 savings target which the Council intend to replace the following year. The use of reserves is a risk that the members need to be aware to ensure that appropriate levels of reserves are being maintained. This risk should be assessed in line with the ongoing financial uncertainties in future Central Government funding and the Council should ensure that this is the most appropriate option having due consideration of other alternatives.</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. The Council has undertaken a detailed review of potential savings and should continue to review and monitor this going forwards. 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>

**Significant matters discussed with management**

There were no other significant matters from our work in relation to our consideration of your arrangements to secure value for money in your use of resources that we wish to draw to your attention.

**Significant matters discussed with management**

There were no other significant matters from our work in relation to our consideration of your arrangements to secure value for money in your use of resources that we wish to draw to your attention.

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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

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We confirm below our final fees charged for the audit. We 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	9,110
<b>Total audit fees (excluding VAT)</b>	<b>54,031</b>	<b>54,031</b>

### Independence and ethics

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 therefore we 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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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.

\*This work is ongoing and may be subject to a change in the final fee based on the work required to certify the claim

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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

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# Communication to those charged with governance

International Standards on Auditing 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.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, 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		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

# Appendices

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# Appendix A: Action plan

## Priority

**High** - Significant effect on control system

**Medium** - Effect on control system

**Low** - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1  50	The Council should review the way that receipts in advance are recorded and ensure that the revenue is recognised in the correct period.	Low	<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>In the 2014/15 financial statements the total income from garden waste was approximately £550k and the receipts in advance identified was £159k. Neither figure is material to the statements.</p> <p>To fully allocate receipts to the renewal date would require a significant investment of resources to investigate approximately 15000 annual payments. To fully allocated all payments would move some of receipts in advance by 1 month, 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 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 we will make a disclosure about the estimation technique used in the notes, and state that it is not considered to have a material impact on the financial statements.</p>	April 2016 Finance Manager

# Appendix A: Action plan

## Priority

**High** - Significant effect on control system

**Medium** - Effect on control system

**Low** - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
2 51	The Council should ensure that all journals over £10,000 are reviewed by an appropriate member of the finance staff to ensure that all transactions are appropriately processed and recorded.	Medium	<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>	Implemented

# Appendix 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 2016 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 2015/16.

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 and 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 2015/16, 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 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 and the Annual Report 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 the Authority as at 31 March 2016 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 2015/16 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 is consistent with the 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 '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 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 2016.

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, the Authority 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 2016.

**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.

Alex Walling  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Hartwell House  
55-61 Victoria Street  
Bristol  
BS1 6FT

xx September 2016



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# Agenda Item 7

## Deputy Chief Executive's Unit

Rachel North  
Deputy Chief Executive



Grant Thornton UK LLP  
Hartwell House  
55-61 Victoria Street  
Bristol BS1 6FT

Our Contact: Simon Dix  
Telephone: 01684 272005  
Our Ref: SD/Audit 16  
Email: [simon.dix@teWKesbury.gov.uk](mailto:simon.dix@teWKesbury.gov.uk)

21 September 2016

Dear Sirs

### Tewkesbury Borough Council

### Financial Statements for the year ended 31 March 2016

This representation letter is provided in connection with the audit of the financial statements of Tewkesbury Borough Council for the year ended 31 March 2016 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 2015/16 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 2015/16 ("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 disclosure changes and are free of material misstatements, including omissions.
- xiii There are no unadjusted misstatements included within your Audit Findings Report.
- 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 2016.

Signed on behalf of the Council

Simon Dix

Head of Finance & Asset Management

21<sup>st</sup> September 2016



## TEWKESBURY BOROUGH COUNCIL

<b>Report to:</b>	Audit Committee
<b>Date of Meeting:</b>	21 September 2016
<b>Subject:</b>	Statement of Accounts 2015/16
<b>Report of:</b>	Simon Dix, Finance and Asset Management Group Manager
<b>Corporate Lead:</b>	Rachel North, Deputy Chief Executive
<b>Lead Member:</b>	Councillor D J Waters
<b>Number of Appendices:</b>	1

<p><b>Executive Summary:</b></p> <p>The Statement of Accounts for 2015/16 shows the financial position of the Council as at 31 March 2016 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 2016.</p> <p>This year saw working balances remain at £450,000 and a net worth increase from £1.869m to £8.900m.</p>
<p><b>Recommendation:</b></p> <p><b>To APPROVE the 2015/2016 Statement of Accounts.</b></p>
<p><b>Reasons for Recommendation:</b></p> <p>It is a statutory duty for the Council to adopt the Statement of Accounts.</p>

<p><b>Resource Implications:</b></p> <p>Revenue and Capital balances as detailed within the report.</p>
<p><b>Legal Implications:</b></p> <p>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”.</p>
<p><b>Risk Management Implications:</b></p> <p>None</p>
<p><b>Performance Management Follow-up:</b></p> <p>None</p>
<p><b>Environmental Implications:</b></p> <p>None.</p>

## 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 signed off by the Chair by 30 September.
- 1.2 The accounts must be prepared in accordance with "The Code of Practice on Local Authority Accounting in the United Kingdom 2015-16" ("the Code") published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.3 As a consequence of the audit a small number of changes to the statement of accounts have been made which have been agreed with the Auditors. These are reported to the Audit Committee in the Auditors Report to Those Charged With Governance.
- 1.4 The Committee is asked to review the content of the Statement of Accounts, in line with the information contained in the Audit Report, and confirm that they 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 £450k as a result of the following activity during the year.

The Council underspent against its net budget by £289k in the year

#### Key Overspends

Expenditure Area	£'000	Reason
Business rates	285	During the year a series of revaluations on various properties within the borough and also the write off of several debts which have proven to be unrecoverable has meant that rather than a surplus being realised we are in a deficit position.
Housing Benefits	209	Overpayments have continued to be above budget levels reducing the recovery of subsidy and leading to the budget deficit.
Property Investment	90	There was a delay in obtaining a property for investment which is now on schedule for mid 2016/2017.
Salary savings plans not met	56	£126k was saved against the £182k target leaving a £56k shortfall.
<b>TOTAL</b>	<b>640</b>	

## Key Underspends

Expenditure Area	£'000	Reason
Waste collection income	(47)	Additional garden waste income.
Provision for 14-15 released	(70)	A provision required in 2014-15 was no longer needed and the money was released back to the base budget.
Planning and land charges Income	(592)	Additional planning and land charges fees received above budget.
<b>TOTAL</b>	<b>(709)</b>	
<b>Other net over/(underspends)</b>	<b>(220)</b>	

**(289) Total Net (Underspend)/Overspend**

**2.1.2** The Council has also released earmarked reserves from the previous year of (£37k) which had been set aside to fund future expenditure, but had subsequently not been required in full. However, the Council has also recognised additional requirement for future reserves of £326k.

**2.1.3** The recognition of changes in requirement for these earmarked reserves, which were approved by the Executive in July 2016, has resulted in a change of £289k which matches the underspend for the year. This means that there is no change in the working balances held at the year end.

## 2.2 Balance Sheet

**2.2.1** The total net worth of the Council, the aggregate value of all of the assets and liabilities in the balance sheet, has increased from £1.869m to £8.900m.

**2.2.2** 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 £6m on Long Term Assets which was mostly down to the £6m expenditure on the new leisure centre in the year;
- a decrease of £5m in investments due to the use of monies to fund the leisure centre construction;
- total provisions have decreased from £4.142m to £2.059m due to successful business rate appeals and other rate reductions in year;
- other adjustments include a reduction in the Capital Receipts Reserve of £6.673m as the Council pays for the building of the new leisure centre as well as grants awarded to community and charitable causes; and,
- the pension deficit also decreased by £5.138m due mainly to an increase in the net discount rate over this period, the positive impact of which has outweighed the likely lower than expected asset returns.

## 2.3 Collection Fund Balances

- 2.3.1** The balance on the Collection Fund for Council Tax at the year-end was a surplus of £1.331m. 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. £980k has already been allocated, based on an estimate of the outturn position in January 2016. The remaining balance of £351k will be incorporated in to the 2016/17 estimate of outturn in January 2017.
- 2.3.2** The balance on the Collection Fund for Business rates at the year-end was a deficit of (£10.646m). 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%).

## 2.4 Capital Resources

- 2.4.1** The table below sets out the Council's capital resources at 31 March 2016. The total balance is £5.684m including capital grants. However, after allowing for commitments of £5.156m the unallocated budget available for new capital projects is £500k.

	<b>Useable Capital Receipts (£'000)</b>	<b>Capital Grants (£'000)</b>	<b>Total (£'000)</b>
Balance at 31/03/16	5,658	26	5,684
Capital Commitments - next 5 years	5,130	26	5,156
Balance Available	528	0	528

- 2.4.2** Expenditure on capital projects was £7,864k in 2015/16 and included £6m on the new leisure centre, £103k on photovoltaics on our Public Service Centre, £207k on community grants and £98k on IT software & Other equipment.
- 2.4.3** The capital balances are invested and accrue interest which is credited to the Council's revenue account. Capital expenditure currently results in a loss of interest of approximately £8,000 per £1m spent.

## 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 interested between 1 July and 11 August 2016, however, no one exercised these rights.
- 4.2** From 1 July 2016 until the conclusion of the audit process the Auditor has been available to receive questions and objections relating to the accounts from local electors. Both these opportunities were advertised in the local press and 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 22 June 2016 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 13 July 2016 approved the inclusion of Earmarked Reserves and the financing of capital expenditure.

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**Background Papers:** None

**Contact Officer:** Emma Harley, Finance Manager  
01684 272006 [emma.harley@teWKesbury.gov.uk](mailto:emma.harley@teWKesbury.gov.uk)

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



**Tewkesbury  
Borough Council**

Appendix A

# **Statement of Accounts For the year ended 31 March 2016**



**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:

- a. Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this 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 Statement of Accounts.

### *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 Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the 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 Statement of Accounts on pages 18 to 91 is the relevant Statement of Accounts 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 2016.

**S J Dix**  
**Head of Finance and Asset Management.**

**Date:**

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

**Councillor H McLain**

**Date:**

## 1. Introduction

The purpose of this statement is to provide a clear guide to the most significant matters reported in the Accounts. This Statement of Accounts has been produced to comply with the adoption of the International Financial Reporting Standards, as adapted by the Code of Practice for Local Authority accounting (the code).

## 2. About Tewkesbury

Our borough is predominantly rural and located in the north of the county extending southwards beyond Gloucester and Cheltenham. The eastern part of the borough lies within the Cotswold AONB. Our population is roughly 85,800 made up of 39,064 households spread across 160 square miles.

Tewkesbury Borough Council is one of 6 District Councils in Gloucestershire. It has consistently set one of the lowest levels of Council Tax in the Country (5th lowest in England in 2015/2016).



### The Council plan

The vision of the Council is:

*"Tewkesbury Borough, a place where a good quality of life is open to all."*

To deliver this vision and provide focus we have established four priorities:

- Finance and Resources
- Economic Development
- Housing
- Customer - focused services

Everything we do is towards delivering the vision and we have adopted the following values:

- Putting customers first
- Being positive about working with others

- Valuing our employees

## **2. About Tewkesbury (Continued)**

By remaining focused on our priorities we can ensure we use our resources effectively to improve the quality of life for our communities.

The next four years are set to be both exciting and challenging. For a relatively small council we have big ambitions. We continue to face unprecedented financial challenge, which means we are focusing closely on transforming the way we deliver our services and adopting a more commercial approach to income generation, so that we can continue to provide excellent value for money.

## **3. Explanation of the financial statements**

This section of the foreword sets out information on the purpose of the various statements included in the 2015/2016 accounts followed by details of the Core and Supplementary Financial Statements that present the overall financial position of the Council.

### **The Statement of Responsibilities**

This Statement sets out the respective responsibilities of the Council and the Chief Financial Officer (Head of Finance and Asset Management) for the accounts.

### **Independent Auditor's Report to the Members of Tewkesbury Borough Council**

This is the Independent Auditor's Report to Tewkesbury Borough Council including the conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources.

## **Core Financial Statements**

### **Movement in Reserves Statement**

This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'surplus or (deficit) on the provision of services' line shows the true economic cost of providing the council's services, more details of which are shown in Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The 'Net increase /decrease before transfers to Earmarked Reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council.

### **Comprehensive Income and Expenditure Statement**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

### **Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

### **3. Explanation of the financial statements (Continued)**

#### **Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

#### **Supplementary Financial Statements**

##### **Collection Fund**

This is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and National Non-Domestic Rates (NNDR) and its distribution to precepting bodies. The Council Tax precepting bodies are the Police and Crime Commissioner for Gloucestershire and Gloucestershire County 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. We get to keep 40% above baseline with the remainder paid to precepting bodies (Central Government get 50% and Gloucestershire County Council get 10%).

### **4. Review of the Council's Activities in the Financial Year**

The Council has a net underspend against its revenue budget of £289k for 2015/2016 (see section 8 for further details). The Council has utilised the underspend to increase Earmarked Reserves to fund future known expenditure and to cover technical accounting requirements. Therefore the net impact on the General Fund is nil, and the Council has not had to use any General Fund Reserves in 2015/2016 to meet its revenue expenditure. All costs in year have been met from income received or from planned use of Earmarked Reserves already held by the Council.

The Council transferred its waste and recycling collection, street cleansing and grounds maintenance services to Ubico Ltd on 1 April 2015. Ubico Ltd is a local authority owned company and Tewkesbury has 16.7% of the share capital. Although the services are being delivered by Ubico Ltd, we still have responsibility for delivering them and manage this through a service contract.

The Council has completed its first year as a partner of UBICO, who provide all the Council's waste, recycling, grounds maintenance and street cleansing services. Whilst services have continued as previously, the Council is keen to work with Ubico to look at how services can be provided with the aim of reducing the cost of the service going forward. Plans are at an early stage and need more development over the next 12 months.

The Council has undertaken a review of the way it collects its waste and recycling as it prepares to replace its vehicle fleet which is coming to the end of its useful life. The decision is to purchase a new fleet rather than to lease one, which is the current model. The review concluded that we do not want to change how the service is provided, as it is popular with customers. However the decision was taken that food waste is going to be separated from the refuse/recycling collection but will continue to be collected on the same day. This is because it represents better value for money for the Council and provides more flexibility in the service to cope with increasing size of the borough.

#### **4. Review of the Council's Activities in the Financial Year (Continued)**

As detailed in section 7 below the Council continues to be impacted by the Business Rates appeals relating to previous years charges. This has meant that the council was not able to achieve its targeted budget surplus of £250k from additional business rates income received and for the second year relied on top-up funding from the Gloucestershire Business Rates pool to get the safety net income level from business rates that was set by Central Government. As at the 1 April 2016 the Council is no longer part of the Gloucestershire Pool, and so is not able to benefit directly from growth across the County. However the decision was taken that the impact of the lost revenue from within the borough on the Pool was unfair and that any future losses should be picked up by Central Government instead of the residents of the County.

The Council over the financial year has continued to invest in its services to try and deliver improvements to customers whilst reducing costs. Reviews have taken place of Customer Services, Planning and Environmental Health departments. These reviews have been completed and improved internal processes to deliver better customer service and efficiency. The next phase planned is to look at where further efficiencies can be made and to realise cashable savings.

The Local Plan which feeds the development plans for the Tewkesbury area and the Joint Core Strategy (JCS) with Cheltenham Borough and Gloucester City Councils has continued. An in-depth review of the JCS has been undertaken by an independent examiner to ensure that it is fit for purpose for the next 20 years. This is a complex set of plans and when implemented will be the key source of evidence to support the development of the borough for both housing and business. Whilst the plan is waiting for approval, the Council is left at some risk that a co-ordinated response to planning and development is subject to challenge.

The Council has set its objectives to improve services and to deliver new projects whilst the Council Tax charge has been frozen for the last 5 years. At present the Council is achieving this mainly through additional funds received from New Homes Bonus, which is additional funding provided based on the number of new homes built in the Borough. This funding has been vital to ensure the delivery of improvements with the objectives set by the Council Members. However uncertainty remains over whether the New Homes Bonus system will remain in place and also the level of house building in the Borough. Without this funding additional savings will have to be identified, which could impact on front line services, or through increased Council Tax income from ratepayers.

No other material, unusual charges or credits have been recognised in the financial statements, and the revenue expenditure in the year is consistent with the activities of the Council in provision of its services on a year to year basis.

The Council has also seen the build of a new leisure centre in Tewkesbury come to near completion during the year and has since opened on the 30 May 2016 on budget and ahead of schedule. This is a significant investment in a new facility for the local residents, whilst also reducing the cost, as the new facility provides an annual return to the Council.

The old Cascades centre is at the end of its useful life and so the Council is now preparing plans on how the site and surrounding Spring Gardens Car park can be developed to support the business and the town centre going forward. The centre itself will be demolished in late summer 2016 paving the way for future development and regeneration of this area.

Away from direct service provision, from the 1 April 2015 the Council provides Legal services to Gloucester City Council, with staff transferred from Gloucester City Council to Tewkesbury. The One Legal Team now provides a shared service to us, Cheltenham and Gloucester City Councils as well as third party work for Cheltenham Borough Homes and Cheltenham Trust. The One Legal Team is looking at other ways that further services can be provided to other bodies to increase income to the Council.

## **5. The Council's Performance during the year**

### **a) Financial Performance**

The Council has a Finance outturn report which was presented to members at the 13 July Executive Committee. The information in this report is presented using the headings of the Heads of Service within the Council who are responsible for delivering specific services (and is different to how we present the financial statements - Note 24 of the accounts shows how the presentation of the outturn agrees to the accounts).

The outturn shows that in relation to services we are underspent for the year. Expenditure on Services was reported to be £7,537k for the 2015/2016 financial year with a reported underspend of £1,525k. This is primarily due to significantly better than expected income against our budget on planning fees. It should be noted that the budget for 2016/2017 has increased the level of expected planning fees, in order to set a balanced budget as other funding sources are reduced from central government. Savings on staff costs through vacant posts, maternity leave and sickness absence has led to savings, although use of agency staff has offset some of these. The cost of housing benefit continues to have an impact on the Council, due to the level of overpayments identified and difficulty in recovering them. This means that the Council does not receive full subsidy from government to cover the total cost.

The Council is committed to protecting front line services whilst having one of the lowest council tax charges in the country. The Council believes that its key strength has been to deliver services across the borough whilst maintaining a freeze on Council Tax over the last 5 years. Whilst in 2016/2017 Council tax has had to rise, the cost to the local taxpayer for the services they receive is comparatively low. This policy has the impact that the Council has to do more with fewer resources. This was recognised in a Peer Review undertaken by the Local Government Association in November 2014. The Council is ambitious in its plans, as demonstrated by building the new leisure centre which is a discretionary service, utilising capital resources to do this. There is also a positive impact that it has also reduced revenue costs in comparison to operating the previous leisure centre. The Council is currently looking at ways it can invest both capital and revenue resources, such as redevelopment of the former leisure centre site and investing in housing corporations, as ways of providing other long term sources of income to support Council services.

Large spending plans, such as the leisure centre and future projects are depleting the Council's cash reserves, which has the impact of reducing investment income from these resources. Also business rate appeals, if successful, can result in significant repayments which obviously have an impact on cash flow. The Council has a treasury management plan in place, and recognises that at certain times of the year there will be pressure on cash flow. Some short term borrowing might be required to cover short term pressures, but projections of cash flow over the next 18 months show that the Council's financial position is viable. Over the long term the Council will borrow to fund the capital ambitions.

As well as the Outturn report, financial figures are included in the quarterly performance report to Overview and Scrutiny Committee and Executive. This sets out how the Council is doing in achieving its core aims and objectives as set out in our Council Plan. Below is a summary of the Council's performance in achieving its corporate and strategic objectives. In the future an independent financial report will be presented directly to the Executive

### **b) Council Performance**

The Council has a mature performance management framework to monitor delivery of its Council plan actions. The main monitoring tool is the Council plan performance tracker. Supporting the tracker is a set of key performance indicators (KPI) and key financial monitoring information. The KPI's are broadly aligned to our Council plan priorities and include corporate performance indicators, service related indicators and indicators which represent the 'state of the borough' such as employment and housing. All performance information is reported on a quarterly basis to the Overview and Scrutiny Committee & Executive. Performance tracker information clearly shows if individual actions are being progressed by means of a dashboard. This applies to the KPI information which also includes a direction of travel for each indicator. The monitoring of KPI's and other key information helps to manage the corporate reputation of the Council and take corrective action where necessary.

## 5. The Council's Performance during the year (Continued)

With regards to services, each service produces an annual service plan. The delivery of service plan actions forms part of normal business through management dialogue, one to one meetings and Lead Member briefings. At an individual level there is the Personal and Professional Development framework supported with a behaviours framework where individual performance and development can be monitored. Sitting alongside the core performance information, is an organisational improvement plan that resulted from the Council's peer challenge in November 2014. The peer challenge was facilitated by the Local Government Association and was very positive about the Council's performance. Recommendations were made where performance can be strengthened further and an action plan developed to monitor delivery of actions. Six monthly reports are presented to Overview and Scrutiny Committee. Aligned to and supporting the performance management framework is the project management framework. All significant projects are monitored through a corporate project management database and each project is supported with a risk register. Overseeing the framework is a Project Programme Board which provides an environment for project approval, challenge and monitoring.

### Council Plan Actions

The Council Plan actions are monitored by Overview and Scrutiny Committee and by the end of 2015/2016 the key actions included:

- A Customer Care Strategy including corporate customer care standards has now been formally approved.
- A new complaints framework and policy has been introduced which makes it easier for customers to raise concerns and provides more effective monitoring.
- The Council's first ever Digital Strategy has been approved and this includes the development of a new website.
- The formal handover of the new leisure centre to Places for People with opening on 30 May 2016.
- Significant project work agreed for the regeneration of Tewkesbury town.
- The approval of a Community Infrastructure Levy Draft Charging Schedule at Council on 19 April 2016.
- Advancement in a number of neighbourhood plans.
- 180 groups being supported or signposted to potential funding streams by the Community Funding Officer.

Due to the complex nature of the actions being delivered then inevitably some may not progress as smoothly or quickly as envisaged. Examples include: JCS, letting additional areas of the Public Services centre and workforce strategy

The main KPI's of interest include:

KPI description	Outturn 2014/2015	Target 2015/2016	Outturn Q4 2015/2016	Comment
Average number of sick days per full time equivalent	8.67	7	8.74	There has been unusually high long term sickness in the organisation, with 49% of the days lost attributable to long term sickness, involving 10 employees. Were it not for the high long term sickness, the target would have been achieved.
Percentage of 'major' applications determined within 13 weeks or alternative period agreed with the applicant	82.05%	80%	87.50%	Strong performance indicates that officers are liaising well with customers to work through major applications in a positive and proactive way.
Average number of days to process new benefit claims	18.75	15	12.76	This year has been our best ever performance and is below the national average which Department for Working and Pensions (DWP) for Q3 (Oct 2015- Dec 2015) reported being 21 days.

## **6. Technical Accounting Changes in the Financial Year**

The main change affecting the accounts this year is the introduction of IFRS 13 Fair Value Measurement which provides specific guidance on the fair value framework.

Whereas fair value has always been mentioned in various accounting standards, IFRS 13 has sought to standardise the definition. Fair value is now defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It applies to a wide range of assets and liabilities within the balance sheet.

Although this has changed the valuation of some investment assets, there is no material effect on the accounts.

## **7. Summary of The Council's Financial Position**

### **a) Economic Background**

The global outlook has been slowly deteriorating over the year due to concerns over productivity growth. However, Gross Domestic Product (GDP) is estimated to have increased by 0.4% in Quarter 1 (Jan to Mar) 2016 following growth of 0.6% in Quarter 4 (Oct to Dec) 2015. Quarter 1 was also 2.1% higher than the same quarter in 2015.

The Bank of England's target of 2% for Consumer Price Index (CPI) still remains in force and we have consistently remained below that target during the financial year, only reaching a high of 0.5% in March 2016.

During the last 6 months of the financial year the number of people in work increased however the number of people unemployed was little changed. The official interest rate remained at 0.5% over the whole financial year and this is expected to continue into the foreseeable future.

Current forecasts predict that the economy will grow in the forthcoming year and CPI/RPI will increase. However, the European Union Referendum may cause these forecasts to change over the coming months.

The Council continues to face deficits in its budget over the coming years (£3m over the next 5 years) which is highlighted in the Medium Term Financial Strategy (MTFS) and in light of this the Council has strategies in place in order to achieve a balanced budget. These strategies include more business transformation within services to try and reduce costs/increase income, the use of New Homes Bonus to support the base budget (and mitigate some of the risks inherent in our budget) and also a five year council tax strategy. More details on these can be found on the Council's website.

### **Impact on Services**

The continuing low bank base rates have continued to have a significant impact on returns from the Council's investments of some £8m (at year end and including call accounts). This led to a reduced level of investment income in 2015/2016 of £117k which in part was due to falling investment balances. The average return on investments was 0.82% for 2015/2016, which, compared to 0.85% in 2014/2015, is a great achievement considering the level of investments has been declining considerably.

The current economic climate saw a dramatic rise in housebuilding and in the quarter September to December 2015 housebuilding was up 23% on the same quarter last year meaning that against a target of £740k, planning fees came in at over £1.2m reaffirming the new confidence in the industry.

The Council sets aside a working balance of £450k to support the annual budget and believes this is an adequate level of revenue resources to maintain.

With risks around future government funding and the implications of government policies like Welfare Reform the impact on services is slightly uncertain and this has been allowed for in our budget with an amount of New

Homes Bonus set aside to cover any deficit arising from these risks.

## **7. Summary of The Council's Financial Position (Continued)**

### **Business Rates**

Business rates retention continued to be a volatile source of funding for ourselves. After receiving a £3.96m safety net payment from the Gloucestershire Business Rates Pool in 2014/2015 we again found ourselves in similar territory, however the safety net payment received for this year is considerably less at £252k. In terms of budgets, we not only failed to obtain the £250k growth we anticipated but also lost the £126k between our funding baseline and the safety net level.

The main reason for the under collection of rates was due to a number of factors. Firstly, the number of appeals being lodged has increased and also the success rate of appeals has increased. The reduction in rateable values due to successful appeals has been quite large and this has contributed to the position along with a significant rise in empty properties.

Although provisions for appeals have been made another contributing factor is the reduction in rateable values due to general reviews and where appeals have not been lodged but the Valuation Office revises a whole class of properties.

The Valuation Office is currently updating the rateable values of all business properties and from 1 April 2017 these will come into effect. Coupled with the Government's plan to introduce 100% retained business by 2020 the level of risk and uncertainty in the system remains.

### **Impact on Assets**

As part of our new valuation tender we now get all our assets measures on an annual basis as at 31 March. There were no significant changes in our Property, Plant and Equipment valuations from last year.

### **b). What We Own**

#### ***Plant, Property & Equipment:***

The Council owns Plant, Property & Equipment (PP&E) at 31 March 2016 with a net book value of £21m. The Council's relevant Land and Buildings are revalued annually by the Council's appointed valuer, Wilks Head & Eve.

The Council spent the following on acquisitions and works on PPE in 2015/2016:

- Building works associated with the new leisure centre being built in Tewkesbury of £6m.
- New roof and mechanical and electrical installations to the Roses Theatre totalling £335k.
- Photovoltaics on the Public Service Centre (designed to reduce ongoing energy costs) totalling £103k.
- The purchase of Waste and Recycling bins of £84k
- Information Technology hardware and associated software of £98k.

During the year the Council sold one of its homeless properties for £202k making a £2k gain against its book value. As part of the transfer of the depot services to Ubico Ltd we transferred some grounds maintenance equipment at nil gain/loss as well as the refuse and recycling vehicles (which were novated across from our existing lease).

#### ***Investment Properties:***

The Council owns Investment Property and land at 31 March 2016 with a market value of £3.5m.

This is an increase of £207k on the previous year's value in the statement of accounts, which is due to the Valuers assessment where they have increased the value due to improved market conditions.

## **7. Summary of The Council's Financial Position (Continued)**

### ***Heritage Assets***

The Council has a range of assets which have limited financial value to disclose in the accounts, but are held for historical, cultural and education purposes. These include museum displays, civic regalia and the Arrivall Horse sculptures. These are 18ft wooden sculptures of horse and rider and are situated to the south of Tewkesbury that commemorate the Battle of Tewkesbury in 1471.

### **c). What We Are Owed**

#### ***Investments:***

The Council had a combination of Short Term and Cash and Cash Equivalent investments of £8m as at 31 March 2016. These investments are made in accordance with the adopted Treasury Management Strategy and generated some £117k of investment income in the year which the Council uses to support the budget to deliver services to the residents of the Borough.

This is a reduction of £6.7m from the balance held at the end of the previous year. This reduction was planned due to the large capital programme including £6m in year on the new leisure centre in Tewkesbury, funded from the Council's own capital resources.

The impact of this is we have fewer resources available to put into interest earning investments meaning that we have less income from these investments to fund our services to the Borough. The level of investments will continue to fall over the following financial year and the Council will have to look at ways of continuing to balance the budget.

#### ***Debtors:***

In addition to Investments the Council were owed £7.7m at 31 March 2016, which consisted of Long Term Debtors of £19k and Short Term Debtors of £7.7m. The debtors balance includes the following:

- Support from the Gloucestershire Pool in relation to the Business Rates Deficit of £252k.
- Support from Central Government in relation to the Business Rates Deficit of £3.7m.
- Support from Gloucestershire County Council in relation to the Business Rates Deficit of £608k.
- Outstanding amounts owed from benefit claimants who have been overpaid of £1.5m
- Outstanding amounts owed from customers for goods and services provided of £718k

### **d). What We Owe**

The total liabilities of the Council stood at £32m at 31 March 2016.

The Council owes creditors £2.2m as at the 31 March 2016. This represents the amounts owed at the year end for goods and services which we had received but not yet invoiced for. The Council has a policy to pay all creditors on receipt of a valid invoice for goods and services we have received. The majority of these payments were settled in April and May. As required under the Code of Practice and Accounting Standards the costs should be accounted for in the financial year they were incurred and not at the time they were actually paid.

The Council has put aside £2m as provisions to cover future costs which relate to Council activity prior to the end of the year.

This includes £1.8m relating to provisions for NNDR (business rates) appeals. The Council has set aside what is considered a prudent sum of funds to cover any liability that could be incurred as a result of the decisions by the Valuation Office. More information is available on Note 18 of the statements

Last year we had a long term liability of £731k which was the long term lease we held on our refuse and recycling vehicles. On 1 April 2015 we novated this contract over to Ubico Ltd as part of the transfer of services to them.

## 7. Summary of The Council's Financial Position (Continued)

On 1 April 2015 we transferred our waste, recycling and grounds maintenance services to a company called Ubico Ltd. This company, which is part owned by Tewkesbury Borough Council, will continue to provide the Council's services on its behalf. Whilst the Council will still pay indirectly for the waste vehicles, the future liability for the lease has been transferred to Ubico Ltd and will be carried in their financial statements.

### **Other Long Term Liabilities:**

#### *Pensions Liability:*

The Council participates in the Gloucestershire County Council Pension Scheme, which provides members with defined benefits (retirement lump sums and monthly pensions) related to pay and service. This is a funded scheme paid for by employee and employer contributions into the scheme. The pension liability has decreased during the year by £5.992m to £27.853m at 31 March 2016. This represents the shortfall in the position of the current pension fund against the requirement to meet all the future liabilities.

The improvement in the liability is mainly down to the increased net discount rate over this period which has produced a positive impact and outweighed the more disappointing return on assets.

Whilst the Council does not have the cash resources to cover the full deficit at this point in time, the future liabilities will also be spread over the lifetime of the members of the scheme. The Council relies on advice from the scheme actuary to set a level of contributions necessary to cover the deficits over the life of the fund. This is calculated by the actuary as part of the triennial review of the fund. The latest actuarial review took place 31 March 2013 and set the deficit contributions up to the 31 March 2017 when the next review will be undertaken. The contributions for the final year are:

<b>Year ended</b>	<b>% of pensionable payroll</b>	<b>Lump sum payment £'000</b>
31 March 2017	14.7	1,533

### **e). Our Net Worth**

The Council's Net Worth at 31 March 2016 was £8.900m. This is made up of items available to support future expenditure (Usable Reserves) and items that are technical accounting reserves that cannot support future expenditure (Unusable Reserves).

#### *Usable Reserves:*

The Usable Capital Receipts Reserve shows a balance of £5.658m at 31 March 2016. The reserve is held pending expenditure through the capital programme. This reserve has fallen during the year as capital receipts are utilised to fund the expenditure on assets, as detailed above on the section on PPE. These receipts will fall significantly in the future as the capital programme grows. This will leave the Council limited opportunities to fund future capital schemes from within its own resources.

The Earmarked Revenue Reserves totalled £9.386m at 31 March 2016, a decrease of £732K. These reserves are set aside to meet future costs that the Council knows it is going to incur. Some of this money set aside will be spent on projects to invest in new systems and processes so that they become more efficient and can reduce costs in the future. Other money is set aside for one off projects, such as the implementation of the Local Plan, which is going to take several years to implement. By using resources available now to fund these then we can avoid those costs impacting on Council Tax payers in the future.

However a significant amount of the reserves held are either held for third parties (e.g. specific grants) and there is also a material reserve which reflects timing differences in how the Council is required to account for Business Rates. The Council estimates the amount it will collect in Business Rates before the start of the financial year which is reported to Central Government. At the end of the year the Council calculates the actual receipts and settles its position with the Government. Due to the impact of the appeals against the council and the large adjustments to business rates in the year, the amounts due to be paid against what we

estimated is significantly higher. The Council has had to set aside a reserve of over £3.8m, in recognition of amounts that will become due to be paid over to Central Government. It has been funded from reserves brought forward from the previous year, New Homes Bonus and timing differences within the 2015/2016 income and expenditure accounts.

## 7. Summary of The Council's Financial Position (Continued)

The reserves held at 31 March 2016 are already committed to meet future expenditure and further analysis of the types of expenditure they are being held for is provided in the notes to the accounts.

The General Fund Balance is to provide the Council with day-to-day cash flow cover for our revenue account because inevitably there is a timing mismatch between the money being paid out and the money coming in. The level of working balance required within the General Fund was assessed for a Council our size at £450K.

The Unusable Reserves include major reserves such as the Pensions Reserve, the Capital Accounting Adjustment Account, and the Revaluation Reserve as well as a number of smaller reserves. They are necessary to ensure that local authority accounts are more comparable to the private sector. These reserves do not represent funds available to the Council to spend and do not in themselves impact on the levels of Council Tax levied on residents in the Borough to fund services.

## 8. Comparison of Budget against Outturn

	£ Actual	£ Budget	£ Variance
Corporate & Democratic Core	2,163,800	1,808,677	355,123
Central Services to the Public	942,255	1,236,925	-294,670
Cultural & Related Services	433,521	836,680	-403,159
Environmental & Regulatory Services	3,029,115	2,883,065	146,050
Highways, & Transport Services	-206,272	-344,787	138,515
Housing Services	1,882,461	877,816	1,004,645
Planning and Development Services	793,751	1,068,551	-274,800
Non Distributed Costs	-379	1,408,430	-1,408,809
<b>Cost of Services</b>	<b>9,038,252</b>	<b>9,775,357</b>	<b>-737,105</b>
Mortgage pooling	8,783	0	8,783
Interest receivable and similar income	-115,310	-254,699	139,389
Trading Accounts	-141,556	-140,780	-776
Capital transactions	-405,852	0	-405,852
Pension adjustments	1,072,000	0	1,072,000
Council Tax and NNDR adjustment	891,663	0	891,663
Contributions to/from revenue reserves	370,847	-170,208	541,055
<b>Total Expenditure</b>	<b>10,718,827</b>	<b>9,209,670</b>	<b>1,509,157</b>
<b>Parish Precepts</b>	<b>1,673,086</b>	<b>1,673,086</b>	<b>0</b>
less:			
Council Tax Income	-4,858,124	-4,858,124	0
Non Domestic Rates	-2,135,401	-1,421,642	-713,759
Revenue Support Grant	-1,318,981	-1,318,980	-1
Other Non-Ring-fenced Government Grants	-4,079,407	-3,284,010	-795,397
	<b>-12,391,913</b>	<b>-10,882,756</b>	<b>-1,509,157</b>
<b>(Increase)/Decrease in Working Balances</b>	<b>0</b>	<b>0</b>	<b>0</b>

### 9. Variances over £10k 2015/2016 (by expenditure type)

	Note	Employee Costs	Property Maintenance	Utilities/ rents/ rates	Transport	Supplies	Agency Costs	Transfer Payments	Income	Savings Plans	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Bank Charges						26					26
Building Regulations							-23				-23
Business Rates Retention	<b>1</b>								-285		-285
Car Parking						11	-21		51		41
Cascades		32	11	22					-27		38
Central Establishment						29					29
Civic Expenses							11				11
Commuted Sum Release									12		12
Corporate Services		21									21
Council Tax									17		17
Council Tax Benefits									36		36
Democratic Services		31									31
Development Control	<b>2</b>	52					-30		509		531
Development Head of Service		11									11
Environmental Health		-36							11		-25
Finance & Asset Manager		-17									-17
Financial Services		21							17		38
Grounds Maintenance							28				28
Holiday Caravan Site									19		19
Housing Benefit Administration									25		25
Housing Benefit-Rent Allowances	<b>3</b>							917	-1126		-209
Interest and Investment Income									-49		-49
IT		15									15
Land Charges							-32		83		51
Licensing									26		26
One Legal		-73			11	20			59		17
Policy & Communications		46									46
Procurement Savings										-19	-19
Property Investment	<b>4</b>									-90	-90
Public Offices				17						-75	-58

## 9. Variances over £10k 2015/2016 (by expenditure type) (Continued)

Revenues & Benefits		28				-19			30		39
Salary Savings	5									-182	-182
Depot	6		70								70
Tourism - Tewkesbury TIC										-17	-17
Waste Collection Services							-46		83		37
Other net		-5	1	1	5	10	-25		61		48
<b>TOTAL</b>		<b>126</b>	<b>82</b>	<b>40</b>	<b>16</b>	<b>77</b>	<b>-138</b>	<b>917</b>	<b>-448</b>	<b>-383</b>	<b>289</b>
											37
	7										-326
											<b>0</b>

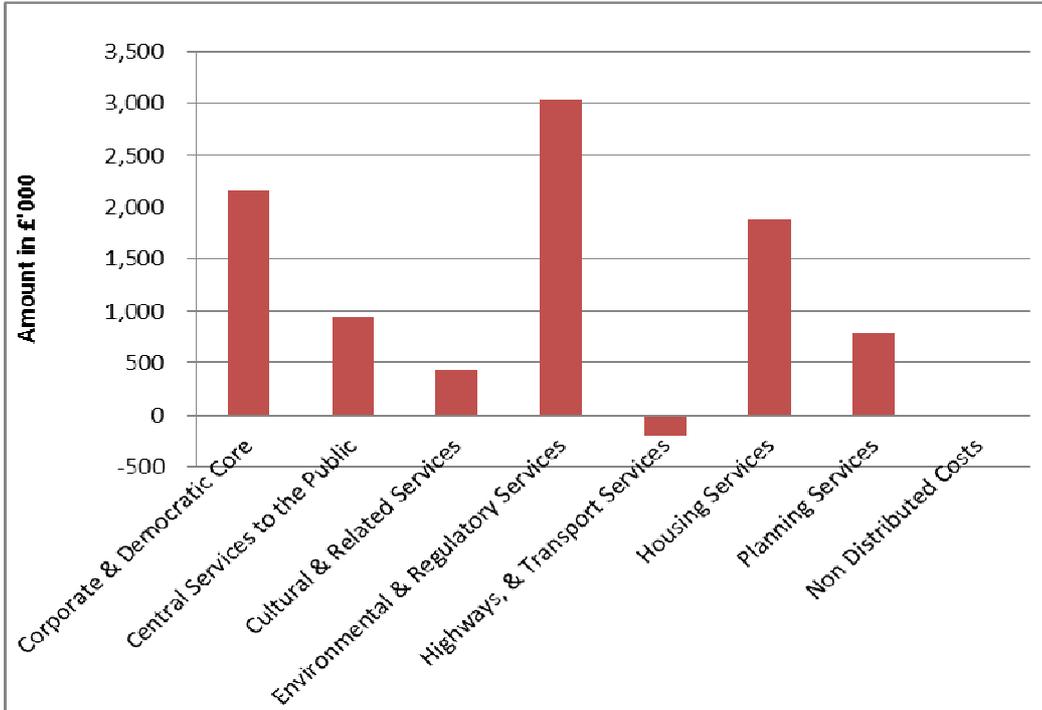
### Explanation of significant variances

- 1 Business rates show a deficit of £285k. The budget projection was that a surplus above the business rates income target which would contribute £250k to the budget. During the year a series of revaluations on various properties within the borough and also write off of several debts which have proven to be unrecoverable has meant that rather than a surplus being realised we are in a deficit position.
- 2 Planning income from both standard applications and also from pre-planning advice is significantly above the budgeted income. Demand is higher than expected and also include several high value applications in terms of fees charged.
- 3 The year end position on the Housing Benefit Subsidy Claim is £209k below budget. Overpayments have continued to be above budget levels reducing the recovery of subsidy and leading to the budget deficit.
- 4 This is due to a delay in obtaining a property for investment which is now on schedule for mid 2016/2017.
- 5 This is the savings plan for salary savings. From the Employee Costs column we can see £126k was saved against this target making a £56k shortfall against the target.
- 6 This is a provision from 2014/2015 that was no longer needed and released in 2015/2016.
- 7 The Council has a net underspend in the year of £289k against its planned expenditure.  
There was also £37k of Earmarked Reserves which were left over at the year end that had not been utilised and which were no longer required. This balance can therefore be released back to revenue to fund expenditure which would lead to an overall underspend of £326k.  
However, the Council has identified that it requires the £326k to fund specific future expenditure where funding had not been found from within existing reserves. The Council transferred the balance to Earmarked reserves which means that the overall impact on the General Fund in 2015/2016 is nil.

## 10. The Services Provided

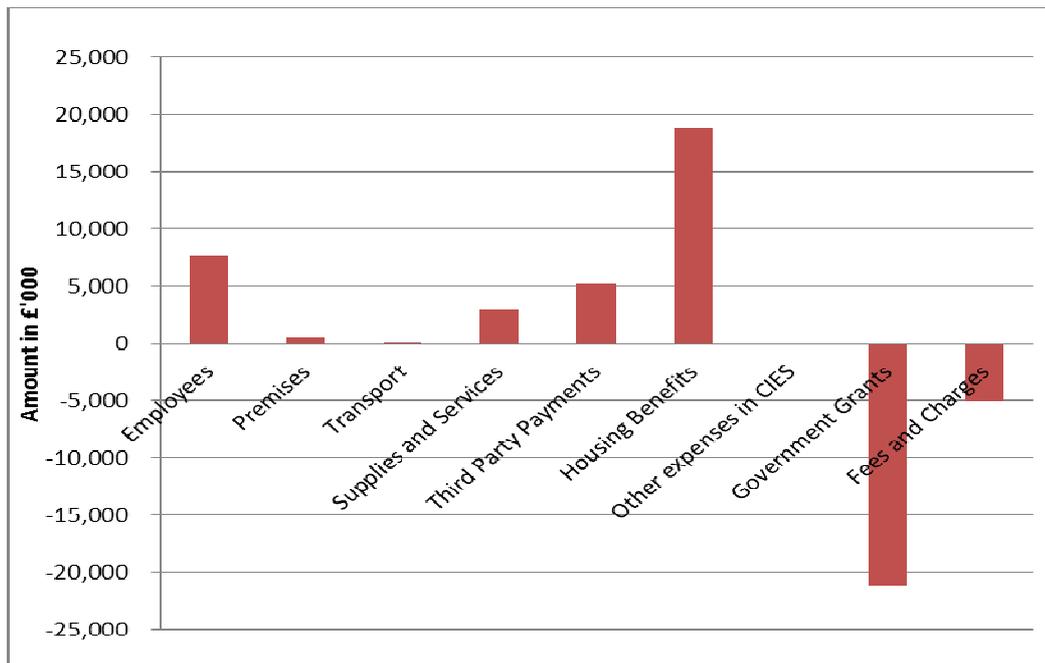
### a) What services we provide

Below is an analysis of the net expenditure on the service headings that are used to produce the accounts. The Council had a net expenditure of £9,038k in 2015/2016 on providing services to the residents of the borough. As can be seen the service that has the highest cost is environmental and regulatory services which includes our waste and recycling services, licencing services and environmental improvements.



### b) How we provide those services

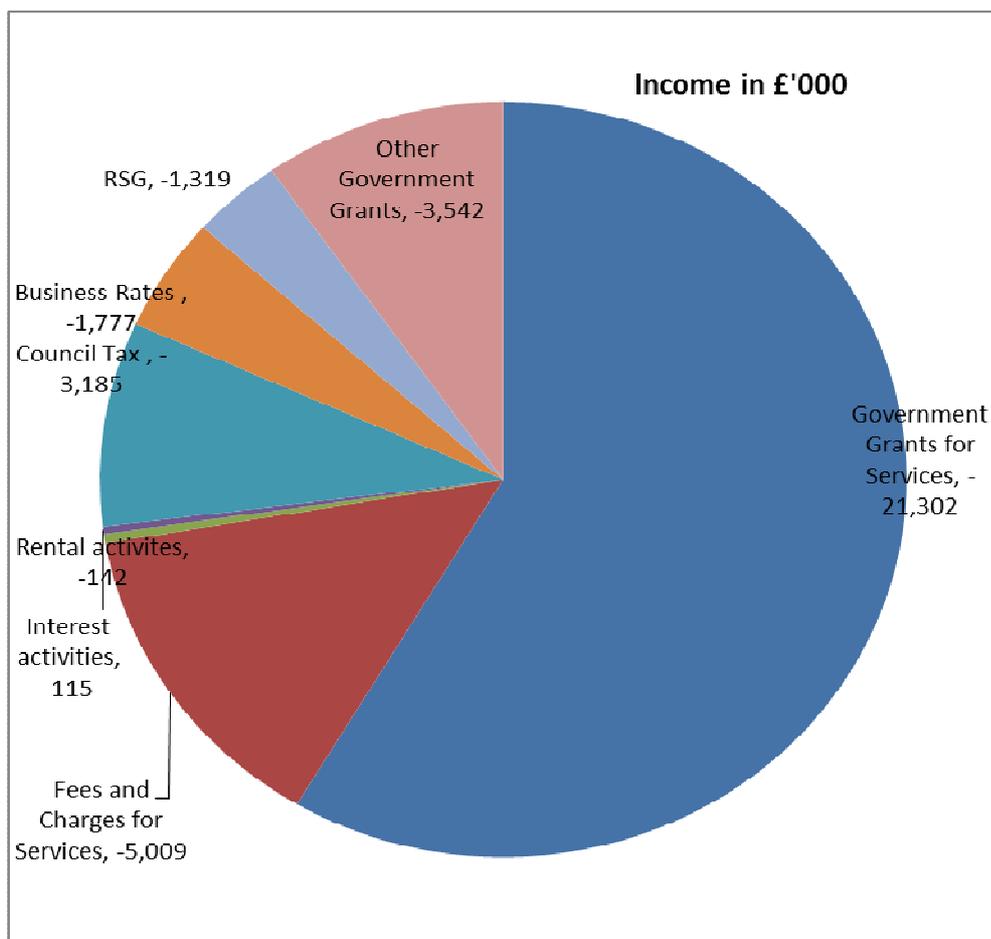
Below is an analysis of the Net Cost of Services shown above, by the type of costs that the Council incurs and also the income that the Council receives in relation to those services provided. Housing Benefits are shown as the most significant costs, but this is offset by a government grant which reduces the net cost to around £950k. As can be seen Employee costs are the next highest cost at approx. £7.5m. Other than grants from government the Council also receives approx. £5m in fees and charges from charging for some council services, such as car parks, planning fees and licencing charges.



## 10. The Services Provided (Continued)

### c) Where the funding comes from

This chart shows where all off the various funding sources come from to fund the Council's activities. 60% is government grants and another 15% from fees and charges included above to fund services directly. The remaining funding comes from other grants from government which do not have to be spent on specific services. The council receives a net income from its rental and treasury management activities which help contribute to fund the total cost of the council. The remaining income comes from charging Council Tax to local residents and Business Rates to local businesses. The net income from these two sources makes up another 15% of the councils funding.



## 11. Capital Expenditure

The Council's total spend on capital projects was £7,864k. The major areas of expenditure included £658k on Disabled Facilities Grants, £335k on improvements to the Roses Theatre, £103k on photovoltaics and £6m on the new leisure centre.

The table below shows how the whole programme was spent (£'000):

Expenditure on own property	6,422
Refuse and Recycling	84
IT Hardware and Software	98
Photovoltaics	103
Disabled Facilities Grants	658
Flood prevention/repairs	292
Community Grants	207
<b>Total</b>	<b>7,864</b>

## 11. Capital Expenditure (Continued)

The expenditure programme was financed from the following sources:

	£'000
Specified Capital Grants	789
Capital Receipts	6,959
Revenue	116
<b>Total</b>	<b>7,864</b>

The Council has a Medium Term Capital Programme that was included within the budget set in February. The latest, approved capital programme is below:

	Projected Expenditure (£m)						TOTAL
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	
Gross Capital Expenditure	9.05	2.53	0.65	0.65	0.65	0.65	<b>14.18</b>
<b>Total Expenditure</b>	<b>9.05</b>	<b>2.53</b>	<b>0.65</b>	<b>0.65</b>	<b>0.65</b>	<b>0.65</b>	<b>14.18</b>
<b>Financing</b>							
Capital Receipts Reserves	8.60	2.13	0.25	0.25	0.25	0.25	<b>11.73</b>
Grants and Contributions	0.45	0.40	0.40	0.40	0.40	0.40	<b>2.45</b>
<b>Total Financing</b>	<b>9.05</b>	<b>2.53</b>	<b>0.65</b>	<b>0.65</b>	<b>0.65</b>	<b>0.65</b>	<b>14.18</b>

The current capital programme will deplete capital reserves to around £1.6m by March 2017. The council will also need to consider the purchase of a vehicle fleet for 2017. This will require an investment of around £3m and although partial funding can be found through use of New Homes Bonus, the majority of the investment, if approved, will utilise the final balances of the capital reserve. Any future ambitions for asset investment, town centre redevelopment and the continuation of the Disabled Facilities Grant (DFG) programme will require the utilisation of other sources of funding, including borrowing.

## 12. Treasury Management Strategy

The Treasury Management Strategy (approved in February 2016) underlies any need to borrow but currently the Council has no borrowings (apart from for cash flow purposes). In the next few years, as investments deplete, the Council will look at the most cost effective way of financing capital expenditure whilst trying to reduce the overall treasury risk for the Council.

## 13. Events after the end of the financial year

On the 30 May 2016 the Council entered into a contract with Places for People Leisure (PFP) for them to run the newly built Tewkesbury Leisure Centre. This involved the transfer of the existing Cascades staff under TUPE regulations and the existing Cascades leisure centre closed the day before the new one opened. The terms of the contract are that PFP will provide a whole host of dry side facilities alongside a full swim timetable. Therefore in the 2016/2017 accounts, there will be a reduction in staff costs and other running costs previously associated with Cascades.

## 14. Further Information

Further information about the accounts is available from Financial Services, Council Offices, Tewkesbury in accordance with the Council's policy of providing full information about its affairs. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised on our website.

## MOVEMENT IN RESERVES STATEMENT

	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>							
Balance at 1 April 2015 brought forward	450	10,118	12,331	54	22,953	-21,084	1,869
Surplus or (deficit) on provision of services	371				371		371
Other Comprehensive Expenditure and Income	0				0	6,660	6,660
Total Comprehensive Expenditure and Income	371	0	0	0	371	6,660	7,031
Adjustments between accounting basis & funding basis under regulations (Note 6)	-1,103		-6,673	-28	-7,804	7,804	0
Net Increase/Decrease before Transfers to Earmarked Reserves	-732	0	-6,673	-28	-7,433	14,464	7,031
Transfers to/from Earmarked Reserves (Note 7)	732	-732	0	0	0	0	0
Increase/Decrease (movement) in Year	0	-732	-6,673	-28	-7,433	14,464	7,031
Balance at 31 March 2016 carried forward	450	9,386	5,658	26	15,520	-6,620	8,900

**MOVEMENT IN RESERVES STATEMENT (Continued)**

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	<b>General Fund Balance £'000</b>	<b>Earmarked Reserves £'000</b>	<b>Capital Receipts Reserve £'000</b>	<b>Capital Grants Unapplied £'000</b>	<b>Total Usable Reserves £'000</b>	<b>Unusable Reserves £'000</b>	<b>Total Authority Reserves £'000</b>
<b>Movement in reserves during 2014/2015</b>							
<b>Balance at 1 April 2014 brought forward</b>	<b>450</b>	<b>4,851</b>	<b>15,043</b>	<b>46</b>	<b>20,390</b>	<b>-14,281</b>	<b>6,109</b>
<b>Surplus or (deficit) on provision of services</b>	-794				-794		-794
<b>Other Comprehensive Expenditure and Income</b>					0	-3,446	-3,446
<b>Total Comprehensive Expenditure and Income</b>	<b>-794</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-794</b>	<b>-3,446</b>	<b>-4,240</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations (Note 6)</b>	6,061		-2,712	8	3,357	-3,357	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>5,267</b>	<b>0</b>	<b>-2,712</b>	<b>8</b>	<b>2,563</b>	<b>-6,803</b>	<b>-4,240</b>
<b>Transfers to/from Earmarked Reserves (Note 7)</b>	-5,267	5,267	0	0	0	0	0
<b>Increase/Decrease (movement) in Year</b>	<b>0</b>	<b>5,267</b>	<b>-2,712</b>	<b>8</b>	<b>2,563</b>	<b>-6,803</b>	<b>-4,240</b>
<b>Balance at 31 March 2015 carried 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>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2014/2015			Note	2015/2016		
	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
	2,077	-14	2,063		2,169	-5	2,164
	1,785	-755	1,030		1,619	-676	943
	2,257	-1,252	1,005		1,934	-1,501	433
	5,110	-1,920	3,190		5,113	-2,084	3,029
	323	-897	-574		773	-979	-206
	21,112	-19,308	1,804		20,856	-18,974	1,882
	2,216	-1,202	1,014		2,885	-2,092	793
	0	-99	-99		0	0	0
	<b>34,880</b>	<b>-25,447</b>	<b>9,433</b>		<b>35,349</b>	<b>-26,311</b>	<b>9,038</b>
	1,547	-160	1,387	8	1,682	-207	1,475
	1,305	-505	800	9	1,086	-470	616
	17,230	-28,056	-10,826	10	13,019	-24,519	-11,500
	<b>20,082</b>	<b>-28,721</b>	<b>-8,639</b>		<b>15,787</b>	<b>-25,196</b>	<b>-9,409</b>
			<b>794</b>				<b>-371</b>
			-1,394				-304
			4,841				-6,356
			<b>3,447</b>				<b>-6,660</b>
			<b>4,241</b>				<b>-7,031</b>

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## BALANCE SHEET

31 March 2015 £'000		Notes	31 March 2016 £'000
15,187	Property, Plant & Equipment	11	21,100
3,326	Investment Property	13	3,533
357	Intangible Assets		308
218	Heritage Assets	12	218
0	Long Term Investments		0
32	Long Term Debtors		19
<b>19,120</b>	<b>Long Term Assets</b>		<b>25,178</b>
7,025	Short Term Investments	14	2,007
18	Inventories		13
9,045	Short Term Debtors	15	7,723
7,733	Cash & Cash Equivalents	16	6,081
<b>23,821</b>	<b>Current Assets</b>		<b>15,824</b>
2	Short Term Borrowing	14	2
2,352	Short Term Creditors	17	2,188
3,706	Provisions	18.1	1,042
<b>6,060</b>	<b>Current Liabilities</b>		<b>3,232</b>
436	Provisions	18.2	1,017
34,576	Other Long Term Liabilities	32	27,853
<b>35,012</b>	<b>Long-Term Liabilities</b>		<b>28,870</b>
<b>1,869</b>	<b>Net Assets</b>		<b>8,900</b>
450	General Fund Reserve	MIRS	450
10,118	Earmarked Reserves	7	9,386
12,331	Capital Receipts Reserve	MIRS	5,658
54	Capital Grants Unapplied	MIRS	26
<b>22,953</b>	<b>Usable Reserves</b>		<b>15,520</b>
4,705	Revaluation Reserve	20.1	4,866
-33,845	Pensions Reserve	20.3	-27,853
13,873	Capital Adjustment Account	20.2	20,514
31	Deferred Capital Receipts		18
72	Financial Instruments Adjustment Account		48
-5,839	Collection Fund Adjustment Account	20.4	-4,118
-82	Short-Term Accumulating Compensated Absences Account		-88
1	Available for Sale Adjustment Account		-7
<b>-21,084</b>	<b>Unusable Reserves</b>		<b>-6,620</b>
<b>1,869</b>	<b>Total Reserves</b>		<b>8,900</b>

## CASH FLOW STATEMENT

2014/2015	Note	2015/2016
£'000		£'000
794 Net (surplus) or deficit on the provision of services		-371
-176 Adjustments to net surplus or deficit on the provision of services for non-cash movements	21	-842
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
0		0
<b>618 Net cash flows from Operating Activities</b>		<b>-1,213</b>
-5,012 Investing Activities	22	1,341
2,668	23	1,524
<b>-1,726 Net increase or decrease in cash and cash equivalents</b>		<b>1,652</b>
-6,007 Cash and cash equivalents at the beginning of the reporting period		-7,733
<b><u>-7,733</u> Cash and cash equivalents at the end of the reporting period</b>	<b>16</b>	<b><u>-6,081</u></b>

### 1. Accounting Policies and Accounting Standards Issued, Not Adopted

#### 1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/2016 financial year and its position at the year-end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2016, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/2016 and the Service Reporting Code of Practice 2015/2016, 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 Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Council prepares its accounts 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.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.5% (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:

## 1.4 Employee Benefits (Continued)

- 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 Statement of Accounts is authorised for issue. Two types of events can be identified:

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

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## **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.

### **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).

## **1.6 Financial Instruments (Continued)**

### **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.

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.

## **1.7 Government Grants and Contributions (Continued)**

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.

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.

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.

## 1.12 Leases (Continued)

### The Council as Lessee

#### *Finance Leases*

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

Lease payments are apportioned between:

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

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

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

#### *Operating Leases*

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense 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

## 1.12 Leases (Continued)

- 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.

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). 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 charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2015/2016* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

#### **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.

## 1.16 Property, Plant and Equipment (Continued)

### 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.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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 cannot 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, but as a minimum every five years. The items within a class of property, plant and equipment are revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates. 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.

### 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 21 years;
  - Other assets have an estimated UEL of between 40 - 50 years.

## 1.16 Property, Plant and Equipment (Continued)

- Vehicles, plant, furniture and equipment - 5 to 7 years, this is deemed a 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.

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

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 accounts.

#### **Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

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

### **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 Business Rates (NNDR)**

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.

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 accounts are taken to the Collection Fund Adjustment Account through the Movement in Reserves Statement.

## **1.24 Accounting Standards that have been issued but not yet adopted**

There is a requirement for authorities to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

The standards introduced in the 2016/2017 Code that are relevant are:-

Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)

Annual Improvements to IFRSs 2010 – 2012 Cycle (see Appendix A of the Invitation to Comment (ITC) on the 2016/2017 Code for further details)

Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)

Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)

Annual Improvements to IFRSs 2012 – 2014 Cycle

Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)

The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis

It is not anticipated that the above amendments will have a material impact on the information provided in local authority financial statements i.e. there is unlikely to be a change to the reported information in the reported net cost of services or the Surplus or Deficit on the Provision of Services.

However, in the 2016/2017 year the comparator 2015/2016 Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement must reflect the new formats and reporting requirements as a result of the “Telling the Story” review of the presentation of local authority financial statements.

## 2. Prior Period Adjustments

There have been no prior period adjustments that impact on the 2015/2016 Statement of Accounts

## 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 Statement of Accounts 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 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 £182k in 2015/2016. 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 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 £159,699. Ernst and Young suggested an initial levy rate of 15% to achieve a solvent run off and this (£23,954) was paid over in January 2014 and a further 10% levy was paid in 2015/2016. 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 2016 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. The hearing relating to the 2005 assessment resulted in a reduction in rateable value of 40% and so we have used that basis for establishing a provision for the outstanding 2010 Virgin Media appeals.

- 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 has been set for 5 years.

Given the impact of the change in the Virgin Media assessment in 2014/2015 the income that the Council now receives has fallen against the original Baseline set.

Taking into account the Council's 2016/2017 projection of Income, growth, grant funding and the provision for appeals the risk that the Council is exposed to is calculated as £367,681. If the Council was to experience new appeals, if situations such as NHS Trusts being awarded charitable status arise, or that appeals currently provided for are more than expected then the Council would be liable for the first £367,861 of refunds. After which the Council would be in a safety net position and central government would be responsible for covering the cost of any further impact of appeals.

Whilst the Council is predicting limited growth in business rates income and until the Government reset the baseline funding assessment to take account of recent changes in rateable values, the Council does not consider itself to have a material liability in respect of unlodged appeals causing changes in Rateable Value.

### 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 has 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 two other Local Council's joined, which has taken the number of owners up to a total of 6. Each Council has one £1 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 6 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,

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. 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 2016 for which there is a significant risk of material adjustment in the forthcoming financial year (due to assumptions/judgements) are as follows:

Item	Uncertainties	Effect if Actual Results Differ from 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. With in-year depreciation of £307k and depreciation adjustment of £304k (due to in year revaluations) a large change in valuation or useful life could increase or decrease the depreciation charge quite substantially.

**4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty  
(Continued)**

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Fair Value measurement	<p>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.</p> <p>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 13 and 14 below.</p>	<p>The Council uses market rental and sales values, along with other inputs to measure the fair value of some of its investment properties</p> <p>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.</p>
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 2015/2016 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 2016. 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 2016.</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 this 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 £1.84m (our share only) which is a large decrease from last year (£3.84m). The Council has set aside a reserve of £250,000 at the year end and committed £133,000 in the 2016/2017 budget to ensure that if appeals exceed expectation the Council has sufficient funds available to meet the shortfall in 2016/2017 until the Government safety net becomes operable.</p>
Arrears	<p>At 31 March 2016, the Council had a balance on doubtful debts of £1,289,692 of which £1,190,801 related to a general provision. Housing benefit general provision has increased from 65% to 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 increased provision helps mitigate this potential risk.</p>

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions	
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. 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 the year-end figure would not be significantly different from the Receipt in Advance figure in the financial statements.</p>	<p>In the 2015/2016 financial statements the total income from garden waste was approximately £599k and the receipts in advance identified was £161k. 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>	
Pensions Liability	<p>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.</p>	<p>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:</p>	
	<p><b>Change in assumptions at year ended 31 Mar 2016</b></p>	<p><b>Approx. % increase to Employer Liability</b></p>	<p><b>Approx. monetary amount (£'000)</b></p>
	<p>0.5% decrease in Real Discount Rate</p>	<p>10%</p>	<p>6,895</p>
	<p>1 year increase in member life expectancy</p>	<p>3%</p>	<p>2,055</p>
	<p>0.5% increase in the Salary Increase Rate</p>	<p>3%</p>	<p>1,895</p>
<p>0.5% increase in the Pension Increase Rate</p>	<p>7%</p>	<p>4,910</p>	

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

2014/2015					2015/2016			
General Fund Balance	Usable Reserves Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves		General Fund Balance	Usable Reserves Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
				<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
				<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
-1,208			1,208	Charges for depreciation and impairment of non-current assets	-308			308
305			-305	Revaluation losses on Property Plant and Equipment	16			-16
176			-176	Movements in the market value of Investment Properties	207			-207
-49			49	Amortisation of intangible assets	-49			49
-783			783	REFCUS - Capital grants and contributions applied	-789			789
92			-92	Movement in the Donated Asset Account	0			0
-612			612	REFCUS – Capital receipts applied	-368			368
0			0	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	-76			76
				<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
316			-316	Statutory provision for the financing of capital investment	0			0
0			0	Capital expenditure charged against the General Fund and HRA balances	116			-116
				<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
804		-804		Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	761		-761	
		796	-796	Application of grants to capital financing transferred to the Capital Adjustment Account			789	-789

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6. Adjustments Between Accounting Basis and Funding Basis Under Regulations (Continued)

2014/2015					2015/2016			
Usable Reserves			Movement in Unusable Reserves £'000		Usable Reserves			Movement in Unusable Reserves £'000
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 primarily involving the Capital Receipts Reserve</b>				
160	-160			Transfer of cash sale proceeds credited as part of the gain/loss on disposal and other income to the Comprehensive Income and Expenditure Statement	283	-283		
	2,878		-2,878	Use of the Capital Receipts Reserve to finance new capital expenditure		6,959		-6,959
				Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals				
-14	14			Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-9	9		
	-20		20	Transfer from Deferred Capital Receipts Reserve upon receipt of cash		-12		12
				<b>Adjustments primarily involving the Deferred Capital Receipts Reserve</b>				
				Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement				
				<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>				
-24			24	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-24			24

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6. Adjustments Between Accounting Basis and Funding Basis Under Regulations (Continued)

2014/2015					2015/2016			
Usable Reserves			Movement in Unusable Reserves £'000		Usable Reserves			Movement in Unusable Reserves £'000
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 primarily involving the Pensions Reserve</b>				
-2,444			2,444	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-2,458			2,458
2,147			-2,147	Employer's pensions contributions and direct payments to pensioners payable in the year	2,094			-2,094
				<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>				
-4,945			4,945	Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	1,721			-1,721
				<b>Adjustments primarily involving the Available for Sale Adjustment Account</b>				
				Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-8			8
				<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
18			-18	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-6			6
<b>-6,061</b>	<b>2,712</b>	<b>-8</b>	<b>3,357</b>	<b>Total Adjustments</b>	<b>1,103</b>	<b>6,673</b>	<b>28</b>	<b>-7,804</b>

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## 7. 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 2015/2016.

	Balance as at 31/03/2014 £'000	Net Movement 2014/2015 £'000	Balance as at 31/03/2015 £'000	Net Movement 2015/2016 £'000	Balance as at 31/03/2016 £'000
Asset Management Reserve	551	-255	296	40	336
Borough Regeneration Reserve	54	0	54	-43	11
Business Rates Reserve*	702	4,731	5433	-1,335	4098
Business Support Reserve	52	54	106	1	107
Business Transformation Reserve	259	81	340	-109	231
Community Safety Reserve	7	-4	3	-3	0
Community Support Reserve	0	15	15	103	118
Elections Reserve	8	2	10	54	64
Flood Support and Protection Reserve	504	-95	409	-154	255
Health & Leisure Development reserve	19	1	20	14	34
Housing & Homeless Reserve	47	-6	41	-1	40
Interest Equalisation Reserve	0	150	150	-150	0
MTFS Equalisation Reserve***	0	68	68	679	747
Organisational Development Reserve	93	-54	39	-12	27
Development Management Reserve	85	158	243	224	467
Development Policy Reserve	216	254	470	-153	317
Risk Management Reserve	88	-40	48	-22	26
Transport Initiatives Reserves	32	162	194	-194	0
Waste & Recycling Development Reserve	129	-4	125	-104	21
Horsford Reserve	20	10	30	9	39
Mayors Charity Reserve	8	4	12	-5	7
Planning Obligations Reserve**	1977	35	2012	429	2441
<b>Totals</b>	<b>4,851</b>	<b>5,267</b>	<b>10,118</b>	<b>-732</b>	<b>9,386</b>

### Material Reserves

\* The Business Rates Reserve is required due to the accounting requirements of the retained business rates legislation since the accounts reflect the position estimated prior to the start of the financial year rather than the true year end position. In 2015/2016 as a result of the 2010 appeals relating to Virgin Media 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 includes a contribution of £415,453 towards the 2016/2017 budget and £331,043 for future budget support.

## 8. Other Operating Expenditure

2014/2015 £'000		2015/2016 £'000
1,533	Parish Council Precepts	1,673
14	Payments to Government Housing Capital Receipts Pool	9
-1	Gains/Losses on Disposal Of Non-Current Assets	-171
-159	Other Income - Right to Buy Sales	-36
<u>1,387</u>		<u>1,475</u>

## 9. Financing & Investment Income & Expenditure

2014/2015 £'000		2015/2016 £'000
87	Finance Leasing Charges	0
0	Interest payable and Similar Charges	3
-185	Interest receivable and similar income	-118
1,216	Net interest on the net defined benefit liability	1,072
-176	Income and expenditure in relation to investment properties and changes in their fair value	-207
-141	Gain/loss on trading accounts (not applicable to a service)	-142
-1	Movement on available for sale investments	8
<u>800</u>		<u>616</u>

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

2014/2015 £'000		2015/2016 £'000
-4,650	Council Tax Income	-4,862
-1,063	Non-domestic rates income and expenditure	-1,240
-1,873	Revenue Support Grant	-1,319
-2,343	Other Non-Ring fenced Government Grants	-3,318
-93	Donated Asset Recognition	0
-804	Capital Grants and Contributions	-761
<u>-10,826</u>		<u>-11,500</u>

## 11. Property, Plant and Equipment

### 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>
Reclassified to/from Held for Sale	0	0	0	0	0	0	<b>0</b>
Other movements in cost or revaluation	0	0	0	0	0	0	<b>0</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>
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	<b>0</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>

## 11. Property, Plant and Equipment (Continued)

### Comparative Movements in 2014/2015

	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 2014</b>	<b>12,030</b>	<b>4,913</b>	<b>227</b>	<b>23</b>	<b>0</b>	<b>35</b>	<b>17,228</b>
Additions	820	83	56	0	0	1,248	<b>2,207</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-443	0	0	0	0	0	<b>-443</b>
Revaluation increases/(decreases) to Surplus/Deficit on Provision of Services	459	0	0	0	0	0	<b>459</b>
Derecognition-disposals	0	0	0	0	0	0	<b>0</b>
Reclassified to/from Held for Sale	0	0	0	0	0	0	<b>0</b>
Other movements in cost or revaluation	0	0	0	0	0	0	<b>0</b>
<b>At 31 March 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>
<b>Accumulated Depreciation and Impairment</b>							
<b>At 1 April 2014</b>	<b>-1,117</b>	<b>-3,552</b>	<b>-70</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-4,739</b>
Depreciation charge	-566	-634	-8	0	0	0	<b>-1,208</b>
Depreciation written out to Revaluation Reserve	1,837	0	0	0	0	0	<b>1,837</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	-154	0	0	0	0	0	<b>-154</b>
Derecognition-disposals	0	0	0	0	0	0	<b>0</b>
<b>At 31 March 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>
<b>Net Book Value</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>
<b>At 31 March 2014</b>	<b>10,913</b>	<b>1,361</b>	<b>157</b>	<b>23</b>	<b>0</b>	<b>35</b>	<b>12,489</b>

## 11. 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 years
- Photovoltaic Solar Panels – 25 years
- Finance lease Vehicles – 7 years
- Infrastructure – as estimated by the valuer or Project Officer

### Capital Commitments

At 31 March 2015, the Council had entered into a contract for the construction of a new leisure facility, with a budget of £7.5m. As at the 31 March 2016 the Council has incurred £7.3m of costs associated with this contract. The facility is due to be completed and handed over to the operator by June 2016.

### Effects of Changes in Estimates

In 2015/2016, 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 out 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	3,111	306	0	<b>3,417</b>
Carried at cost incurred to date	0	0	0	7,370	<b>7,370</b>
Valued at current value	13,151	0	0	0	<b>13,151</b>
<b>Total Cost or Valuation</b>	<b>13,151</b>	<b>3,111</b>	<b>306</b>	<b>7,370</b>	<b>23,938</b>

## **12. 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 Yorkists and the Lancastrians. 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.

### **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.

## 12. Heritage Assets (Continued)

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.

## 13. 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:

<b>2014/2015</b>		<b>2015/2016</b>
<b>£'000</b>		<b>£'000</b>
-139	Rental income from investment property	-140
-2	Direct operating expenses arising from investment property	-2
<b>-141</b>	<b>Net gain/(loss)</b>	<b>-142</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:

<b>2014/2015</b>		<b>2015/2016</b>
<b>£'000</b>		<b>£'000</b>
<b>3,150</b>	<b>Balance 1 April</b>	<b>3,326</b>
	Additions:	
0	Purchases	0
0	Construction	0
0	Subsequent expenditure	0
0	Disposals	0
176	Net gains/losses from fair value adjustments	207
	Transfers:	
0	to/from Inventories	0
0	to/from Property, Plant and Equipment	0
	Other changes	
<b>3,326</b>	<b>Balance 31 March</b>	<b>3,533</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

### 13. Investment Properties (Continued)

	Quoted prices in active markets for identical assets (level 1) £'000	Other significant observable inputs (level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair Value as at the 31st March £'000
Land	0	1,333	0	1,333
Commercial Units	0	1,730	0	1,730
Other	0	0	470	470
Total as at 31 March 2016	<b>0</b>	<b>3,063</b>	<b>470</b>	<b>3,533</b>

Prior year comparators are not required, as the clarification of calculation of fair value is prospective and does not require restatement of prior year figures.

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 2016 is £469,545 (value as at 31 March 2015 was £469,545). There has been no change in assets or their value during the financial year.

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

### 13. Investment Properties (Continued)

	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.

### 14. Financial Instruments

#### Categories of Financial Instruments

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

	Long-Term		Current	
	31/03/2015 £'000	31/03/2016 £'000	31/03/2015 £'000	31/03/2016 £'000
<b>Investments</b>				
Loans and receivables	0	0	7,025	2,007
<b>Cash Equivalent Investments</b>				
Loans and receivables	0	0	5,902	2,488
Available-for-sale financial assets	0	0	1,501	3,493
<b>Total investments</b>	<b>0</b>	<b>0</b>	<b>14,428</b>	<b>7,988</b>
<b>Debtors (less any impairments)</b>				
Loans and receivables	32	18	0	0
Financial assets carried at contract amounts	0	0	5,151	2,078
<b>Total debtors</b>	<b>32</b>	<b>18</b>	<b>5,151</b>	<b>2,078</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	0	0	2	2
<b>Total borrowings</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>2</b>
<b>Other Long Term Liabilities</b>				
PFI and finance lease liabilities	383	0	348	0
<b>Total other long term liabilities</b>	<b>383</b>	<b>0</b>	<b>348</b>	<b>0</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount	0	0	1,537	1,249
<b>Total creditors</b>	<b>0</b>	<b>0</b>	<b>1,537</b>	<b>1,249</b>

## 14. Financial Instruments (Continued)

### Income, Expense, Gains and Losses

	2014/2015			2015/2016		
	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	0	0	0	3	3
Impairment losses/(reversal)	0	0	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>3</b>
Interest income	0	-186	-186	0	-118	-118
Interest income accrued on impaired financial assets	0	0	0	0	0	0
	<b>0</b>	<b>-186</b>	<b>-186</b>	<b>0</b>	<b>-118</b>	<b>-118</b>
<b>Surplus or Deficit arising on revaluation of financial assets</b>						
Gains on revaluation	-1	0	0	-7	0	-7
<b>Total Charged to Other CIES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-7</b>	<b>0</b>	<b>-7</b>
<b>Net gain/(loss) for the year</b>	<b>0</b>	<b>-186</b>	<b>-186</b>	<b>-7</b>	<b>-115</b>	<b>-122</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

#### 14. Financial Instruments (Continued)

##### 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 31/3/2016
			£'000
<b>Available for sale:</b>			
Equity Shares in Pooled Funds (liquidity funds)	Level 1	Multiply the price by the number of units held, using the bid price where quoted	3,493
Equity Shares in Ltd Company	Untradeable Shares	Historic cost of Share Capital	0

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 Equity Share in the Ltd Company is in relation to UBICO Ltd which is a teckal company owned by 6 District Councils. Each Council has £1 share capital equity in the company. The Shareholder agreement is that each interested body has an equal share interest. This interest cannot 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.

All other significant financial liabilities and assets held by the Council are classified as loans and receivable and long term debtors and creditors and are carried in the balance sheet at amortised cost. This is considered as a reasonable estimate of their fair value.

#### 15. Short Term Debtors

The Balances outstanding at 31 March are summarised as follows:

	2014/2015 £'000	2015/2016 £'000
Central government bodies	2,495	4,501
Other local authorities	5,064	1,748
NHS bodies	1	0
Public corporations and trading funds	164	0
Other entities and individuals	2,153	2,764
<b>Gross Debts</b>	<b>9,877</b>	<b>9,013</b>
less Impairment Allowance	-832	-1,290
<b>Total Net Debtors</b>	<b>9,045</b>	<b>7,723</b>

## 16. Cash and Cash Equivalents

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

	2014/2015 £'000	2015/2016 £'000
Cash held by the Council	262	256
Bank current accounts	68	-155
Short-term deposits	7,403	5,980
<b>Total Cash and Cash Equivalents</b>	<b>7,733</b>	<b>6,081</b>

## 17. Short Term Creditors

The balances outstanding at 31 March are summarised as follows:

	2014/2015 £'000	2015/2016 £'000
Central government bodies	227	221
Other local authorities	595	505
NHS bodies	0	0
Public corporations and trading funds	0	0
Other entities and individuals	1,530	1,462
<b>Total</b>	<b>2,352</b>	<b>2,188</b>

## 18. Provisions

### 18.1 Short Term Provisions

	Outstanding Legal Cases £'000	Injury and Damage Compensation Claims £'000	Other Provisions £'000	Total £'000
<b>Balance at 1st April 2015</b>	<b>115</b>	<b>0</b>	<b>3,591</b>	<b>3,706</b>
Additional provisions made	19	0	924	943
Amounts used	84	0	3,451	3,535
Unused amounts reversed	2	0	70	72
<b>Balance at 31 March 2016</b>	<b>48</b>	<b>0</b>	<b>994</b>	<b>1,042</b>

## 18. Provisions (Continued)

### 18.2 Long Term Provisions

	Outstanding Legal Cases	Injury and Damage Compensation Claims	Other Provisions	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1st April 2015</b>	<b>35</b>	<b>0</b>	<b>401</b>	<b>436</b>
Additional provisions made	11	0	924	<b>935</b>
Amounts used	0	0	354	<b>354</b>
Unused amounts reversed	0	0	0	<b>0</b>
<b>Balance at 31 March 2016</b>	<b>46</b>	<b>0</b>	<b>971</b>	<b>1,017</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. Fuller details of the cases and the contingent asset associated with the cases are detailed in a later note.

The Council has received notification from Bevan Brittan in relation to the claims made against councils on behalf of APPS (personal land charge search companies). The result of the settlement is that individual councils will have to refund costs related to the APPS claim. The Council has made a provision of £43,167 in line with the notification from Bevan Brittan.

##### Other Provisions

A rent review and service charge provision relating to a property formally leased by the Council, totalling £69,400, has been retained on legal advice.

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.

There is a provision of £1,848,030 at the 31 March 2016 relating to business rate appeals apportioned to the Council. Of this £772,000 is appeals relating to the Virgin Media telecommunications network. The remaining appeals are from a range of organisations that have submitted appeals to the Valuation Office agency.

## 19. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 6 and 7

## 20. Unusable Reserves

### 20.1 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.

2014/2015 £'000		2015/2016 £'000
3,397	<b>Balance at 1 April</b>	4,705
1,394	Upward revaluation of assets & reversal of previous impairment losses	304
0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0
-86	Difference between fair value depreciation and historical cost depreciation	-48
0	Accumulated gains on assets sold or scrapped	-95
<u>4,705</u>	<b>Balance at 31 March</b>	<u>4,866</u>

### 20.2 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.

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

## 20.2 Capital Adjustment Account (Continued)

2014/2015 £'000		2015/2016 £'000
<b>11,873</b>	<b>Balance at 1 April</b>	<b>13,873</b>
	<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</i>	
-1,208	Charges for depreciation and impairment of non-current assets	-308
306	Revaluation losses on Property, Plant and Equipment	16
-49	Amortisation of intangible assets	-49
-783	Revenue expenditure funded from capital under statute from Capital Grants	-789
-612	Revenue expenditure funded from capital under statute from Capital Receipts	-368
86	Adjusting amounts written out of the Revaluation Reserve	48
0	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	731
0	Release of Long Term Liability as a result of novation of Vehicle lease contract.	-712
	<i>Capital financing applied in the year:</i>	
2,878	Use of the Capital Receipts Reserve to finance new capital expenditure	6,960
797	Application of grants to capital financing from the Capital Grants Unapplied Account	789
316	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	0
	Capital expenditure charged against the General Fund	116
176	Movements in the market value of Investment and donated properties debited or credited to the Comprehensive Income and Expenditure Statement	207
93	Movements in the value of Heritage asset recognised in Balance Sheet, debited or credited to the Comprehensive Income and Expenditure Statement	0
<b>13,873</b>	<b>Balance at 31 March</b>	<b>20,514</b>

## 20.3 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.

### 20.3 Pensions Reserve (Continued)

2014/2015 £'000		2015/2016 £'000
<b>-28,707</b>	<b>Balance at 1 April</b>	<b>-33,845</b>
-4,841	Remeasurements of the net defined benefit liability/(asset)	6,356
-2,444	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	-2,458
2,147	Employer's pensions contributions and direct payments to pensioners payable in the year	2,094
<b>-33,845</b>	<b>Balance at 31 March</b>	<b>-27,853</b>

### 20.4 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.

2014/2015 £'000		2015/2016 £'000
<b>-894</b>	<b>Balance at 1 April</b>	<b>-5,839</b>
-4,945	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	1,721
<b>-5,839</b>	<b>Balance at 31 March</b>	<b>-4,118</b>

### 21. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2014/2015 £'000		2015/2016 £'000
	<b>Specific Inflows</b>	
-198	Interest received	-128
0	Interest paid	3
0	Dividends received	0

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

## 21. Cash Flow Statement – Operating Activities (Continued)

2014/2015 £'000		2015/2016 £'000
-1208	Depreciation	-308
482	Impairment & downward valuations	215
-49	Amortisation	-49
-249	Increase in impairment for bad debts	-458
174	Increase in creditors	113
4677	Increase in debtors	-2276
2	Increase in Inventories	-5
-297	movement in pension liability	-364
174	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	207
-3882	Other non-cash items charged to the net surplus or deficit on the provision of services	2083
<b>-176</b>		<b>-842</b>

The surplus or deficit on the provision of services has been further adjusted for investing and financing activities as set out in notes 22 and 23

## 22. Cash Flow Statement – Investing Activities

2014/2015 £'000		2015/2016 £'000
2,078	Purchase of property, plant and equipment, investment property and intangible assets	6,759
25,000	Purchase of short-term and long-term investments	5,500
0	Other payments for investing activities	0
-90	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-418
-32,000	Proceeds from short-term and long-term investments	-10,500
0	Other receipts from investing activities	0
<b>-5,012</b>	<b>Net cash flows from investing activities</b>	<b>1,341</b>

## 23. Cash Flow Statement – Financing Activities

2014/2015 £'000		2015/2016 £'000
0	Cash receipts of short- and long-term borrowing	-2,000
0	Other receipts from financing activities	0
316	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	0
0	Repayments of short- and long-term borrowing	2,000
2,352	Other payments for financing activities	1,524
<b>2,668</b>	<b>Net cash flows from financing activities</b>	<b>1,524</b>

## 24. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Executive on the basis of budget reports analysed across subjectively. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- Expenditure on some support services is budgeted for centrally and not charged to services.

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	Chief Executive £'000	Corporate Services £'000	Democratic services £'000	Deputy Chief Executive £'000	Development Services £'000	Environment and Housing £'000	Finance and Assets £'000	One Legal £'000	Revenue and Benefits £'000	Outturn Report to Executive Committee £'000
Fees, charges & other service income	0	-3	8	0	-1,711	-1,623	-1,912	-1,208	-151	<b>-6,600</b>
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0	0	0	<b>0</b>
Interest and investment income	0	0	0	0	0	0	-118	0	0	<b>-118</b>
Income from council tax	0	0	0	0	0	0	0	0	0	<b>0</b>
Government grants and contributions	0	-8	-126	0	-987	-313	-8	-3	-19,033	<b>-20,478</b>
<b>Total Income</b>	<b>0</b>	<b>-11</b>	<b>-118</b>	<b>0</b>	<b>-2,698</b>	<b>-1,936</b>	<b>-2,038</b>	<b>-1,211</b>	<b>-19,184</b>	<b>-27,196</b>
Employee expenses	227	769	300	110	1,399	979	2,484	1,160	766	<b>8,194</b>
Premises	0	0	11	0	41	-70	572	0	0	<b>554</b>
Transport	3	6	20	3	42	36	12	16	11	<b>149</b>
Supplies & Services	4	358	465	3	744	132	592	78	154	<b>2,530</b>
Third Party payments	1	30	53	0	237	3,874	200	161	26	<b>4,582</b>
Welfare payments	0	0	0	0	0	0	0	0	18,711	<b>18,711</b>
Other service expenses	0	0	0	0	0	0	0	0	0	<b>0</b>
Support Service recharges	0	0	0	0	0	0	0	0	0	<b>0</b>
Capital adjustments	0	0	0	0	0	0	0	0	0	<b>0</b>
Interest payments	0	0	0	0	0	0	3	0	0	<b>3</b>
Precepts & Levies	0	0	0	0	0	0	0	0	0	<b>0</b>
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	0	0	0	<b>0</b>
<b>Total expenditure</b>	<b>235</b>	<b>1,163</b>	<b>849</b>	<b>116</b>	<b>2,463</b>	<b>4,951</b>	<b>3,863</b>	<b>1,415</b>	<b>19,668</b>	<b>34,723</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>235</b>	<b>1,152</b>	<b>731</b>	<b>116</b>	<b>-235</b>	<b>3,015</b>	<b>1,825</b>	<b>204</b>	<b>484</b>	<b>7,527</b>

## 24. Amounts Reported for Resource Allocation Decisions (Continued)

The information presented in 2015/2016 is in a different format from 2014/2015 as the reports to members have been amended this year to provide a further breakdown of costs by Service. The table above reconciles the information provided to members by the Service Structure and then summarised in total, whereas in previous year this information was only provided in a summary format as shown below.

Analysis Level	2014/2015			
	Full Year Budget £'000	Profiled Q4 Budget £'000	Actual £'000	Savings / (Deficit) £'000
Employees	8,931	8,931	9,143	-212
Premises	766	766	776	-10
Transport	854	854	837	17
Supplies & Services	2,137	2,137	2,127	10
Third Party Payments	1,003	1,003	1,048	-45
Benefit Payments	19,176	19,176	18,899	277
Capital Adjustments	985	985	952	33
Income	-24,992	-24,992	-25,160	168
Treasury Management Activity	-271	-271	-240	-31
<b>TOTAL</b>	<b>8,589</b>	<b>8,589</b>	<b>8,382</b>	<b>207</b>

## Reconciliation of Subjective Analysis to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the subjective analysis above relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2014/2015 £'000	2015/2016 £'000
Net expenditure in the subjective analysis	8,382	7,527
Corporate Amounts included in subjective analysis	-606	-825
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	1,657	2,336
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>9,433</b>	<b>9,038</b>

## 24. Amounts Reported for Resource Allocation Decisions (Continued)

### Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2015/2016	Outturn Report	Corporate Amounts reported to Committee	Amounts not reported to management for decision making	Allocation of Recharges & Removal of Holding Codes	CIES Cost of Services	Other Income	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	-6,600	-144	-19	-1,466	-5,009	-14,299	-19,308
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0
Interest and investment income	-118	-118	0	0	0	-262	-262
Income from council tax	0	0	0	0	0	-4,862	-4,862
Government grants and contributions	-20,478	0	-824	0	-21,302	-5,398	-26,700
<b>Total Income</b>	<b>-27,196</b>	<b>-262</b>	<b>-843</b>	<b>-1,466</b>	<b>-26,311</b>	<b>-24,821</b>	<b>-51,132</b>
Employee expenses	8,194	1,072	511	0	7,633	1,072	8,705
Other Supplies and Services	26,526	0	1,170	0	27,696	13,023	40,719
Other service expenses	0	0	0	1,466	-1,466	0	-1,466
Support Service recharges	0	3	0	0	-3	0	-3
Capital Adjustments	0	0	1,498	0	1,498	-370	1,128
Interest Payments	3	3	0	0	0	5	5
Precepts & Levies	0	0	0	0	0	1,673	1,673
Payments to Housing Capital Receipts Pool	0	9	0	0	-9	9	0
<b>Total expenditure</b>	<b>34,723</b>	<b>1,087</b>	<b>3,179</b>	<b>1,466</b>	<b>35,349</b>	<b>15,412</b>	<b>50,761</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>7,527</b>	<b>825</b>	<b>2,336</b>	<b>0</b>	<b>9,038</b>	<b>-9,409</b>	<b>-371</b>

## 24. Amounts Reported for Resource Allocation Decisions (Continued)

2014/2015	Outturn Report	Corporate Amounts reported to Committee	Amounts not reported to management for decision making	Allocation of Recharges & Removal of Holding Codes	CIES Cost of Services	Other Income	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	-5,593	297	-643	914	-5,025	-18,693	-23,718
Interest and investment income	-240	330	0	-	90	-330	-240
Income from council tax	0	0	0	-	0	-4,650	-4,650
Government grants and contributions	-19,566	0	-946	-	-20,512	-5,020	-25,532
<b>Total Income</b>	<b>-25,399</b>	<b>627</b>	<b>-1,589</b>	<b>914</b>	<b>-25,447</b>	<b>-28,693</b>	<b>-54,140</b>
Employee expenses	9,143	-1,216	448		8,375	0	8,375
Other service expenses	23,686	-17	1,403	428	25,500	18,504	44,004
Support Service recharges	0	0	0	-1,342	-1,342	0	-1,342
Capital adjustments	952	0	1,395		2,347	0	2,347
Interest Payments	0	0	0	-	0	3	3
Precepts & Levies	0	0	0	-	0	1,533	1,533
Payments to Housing Capital Receipts Pool	0	0	0	-	0	14	14
<b>Total expenditure</b>	<b>33,781</b>	<b>-1,233</b>	<b>3,246</b>	<b>-914</b>	<b>34,880</b>	<b>20,054</b>	<b>54,934</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>8,382</b>	<b>-606</b>	<b>1,657</b>	<b>0</b>	<b>9,433</b>	<b>-8,639</b>	<b>794</b>

## 25. Agency Services

The Council provides payroll services for the Tewkesbury Museum, Wheatpieces Parish Council and Tewkesbury Town Council involving the payment of around £96,500 to employees and £37,000 to Her Majesty's Revenue and Customs. The three organisations pay a management fee of some £700.

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 other 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 in respect of the activity, which is not included in the Comprehensive Income and Expenditure Statement is as follows:

	<b>2014/2015</b>	<b>2015/2016</b>
	<b>£'000</b>	<b>£'000</b>
Employee Costs	488	820
Transport Costs	7	11
Supplies & Services	185	170
Agency & Contracted Services	4	18
Income	-176	-243
<b>Total Amount Reimbursed</b>	<b>508</b>	<b>776</b>

## 26. Members' Allowances

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

	<b>2014/2015</b>	<b>2015/2016</b>
	<b>£'000</b>	<b>£'000</b>
Allowances	326	326
Mileage & Subsistence	11	11
Other Expenses	1	1
<b>Total Reimbursement</b>	<b>338</b>	<b>338</b>

The above figures include a basic allowance for each member of £7,200 (2014/2015 £7,200)

## 27. Officers' Remuneration

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

Post Title	Note	Year	Salary, Fees and Allowances £'000	Bonuses £'000	Expenses Allowances £'000	Compensation for loss of Office £'000	Pension Contributions £'000	Total Remuneration £'000
<b>Current Posts</b>								
Chief Executive		2015/2016	111	0	0	0	16	<b>127</b>
		2014/2015	111	0	0	0	16	<b>127</b>
Deputy Chief Executive	1	2015/2016	88	0	0	0	13	<b>101</b>
		2014/2015	85	0	0	0	12	<b>97</b>
Borough Solicitor	2	2015/2016	81	0	0	0	12	<b>93</b>
		2014/2015	78	0	0	0	12	<b>90</b>
Section 151 Officer (Chief Finance Officer)	3	2015/2016	73	0	0	0	11	<b>84</b>
		2014/2015	56	0	0	0	8	<b>64</b>
<b>Total</b>		<b>2015/2016</b>	<b>353</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>52</b>	<b>405</b>
		<b>2014/2015</b>	<b>330</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>48</b>	<b>378</b>

### Notes

1. Following a local pay review effective from the 1 April 2015, the salary of the Deputy Chief Executive increased from £84,750 to £87,000.

2. Following a local pay review effective from the 1 April 2015, the salary of the Borough Solicitor increased from £78,000 to £80,250.

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.

3. Following a local pay review effective from the 1 April 2014, the salary of the Section 151 office increased from £56,000 to £64,500. The salary payments in 2015/2016 included the back pay due for previous year as well as the annual salary.

## 27. 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	
		2014/2015	2015/2016
		Total	Total
£50,000	£54,999	2	3
£55,000	£59,999	2	1
£60,000	£64,999		1
£65,000	£69,999		1
£70,000	£74,999		
£75,000	£79,999		
£80,000	£84,999		
£85,000	£89,999		
£90,000	£94,999		
		<b>4</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	
	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015 £'000	2015/2016 £'000
0 - 20,000	0	0	2	1	2	1	9	7
20,001 - 40,000	0	1	0	0	0	1	0	21
40,001 - 60,000	0	0	0	0	0	0	0	0
60,001 - 80,000	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>9</b>	<b>28</b>

### Termination Benefits

Two termination agreements were made with officers during the year which involved a benefit payment; these were made as part of operational processes and efficiency decisions taken by the Council. One was in the Policy and Performance Service and one was in the Finance and Asset Management Service. The Council has a policy of not providing enhancements to pensions (i.e. added years). The table above provides detail of the terminations provided for in the year.

## 28. 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:

	2014/2015 £'000	2015/2016 £'000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor.	60	45
Fees payable to Grant Thornton in respect of statutory inspection.	0	0
Fees payable to Grant Thornton for the certification of grant claims and returns.	13	9
Fees payable in respect of other services provided by Grant Thornton.	0	0
	<u>73</u>	<u>54</u>

## 29. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/2016:

	2014/2015 £'000	2015/2016 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
S.31 Grants & Contributions (supporting the NNDR regime)	-78	-159
Revenue Support Grant	-1,873	-1,319
Homes Bonus Grant	-1,870	-2,747
Council Tax Freeze Grant	-33	-34
Small Business Relief Grant	-362	-378
	<u>-4,216</u>	<u>-4,637</u>
<b>Capital Grants</b>		
Disabled Facilities Grants	-442	-497
Flood Relief Grants	-315	-264
Other Capital Grants	-47	0
	<u>-804</u>	<u>-761</u>
<b>Total</b>	<u>-5,020</u>	<u>-5,398</u>
<b>Grants Credited to Services</b>		
Dept. Communities & Local Government Grants		
Local Taxation Administration Grants	-199	-190
Capability Funding Grant	-179	-268
Flooding Relief Grants	-93	0
Other DCLG Grants	-80	-111
Elections	0	-101

## 29. Grant Income (Continued)

Dept. Work & Pensions Grants		
Housing Benefit Administration & Associated Grants	-93	-267
Housing Benefit Grant	-19,003	-18,496
Other DWP Grants	-5	-52
Homes & Communities		
LSIF Funding	0	-330
Cabinet Office		
European Elections	-99	0
Other Grants	-27	-23
Other Government Grants	-22	-2
<b>Contributions Credited to Services</b>		
Gloucestershire County Council Contributions		
Large Sites Infrastructure Fund	0	-229
Waste Incentive Contributions	-100	-100
Youth Offending	-50	-50
Flood Works and Water Management	0	-144
Other GCC contributions	-35	-32
Other Contributions from Government bodies	-51	-86
Contributions in relation to S.106 agreements	-476	-822
<b>Total</b>	<b>-20,512</b>	<b>-21,303</b>
<b>Grand Total</b>	<b>-25,532</b>	<b>-26,701</b>

## 30. 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, and 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 29.

### Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2015/2016 is shown in Note 26. 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.

### 30. Related Party Transactions (Continued)

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 27.

#### 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 on page 88. Parish Precepts are shown in the Comprehensive Income and Expenditure Account on page 20.

In addition to council tax and business rate precepts, the Council also made payments of £824,065 for both grants and services to Gloucestershire County Council. Eight Borough Council members are also members of the County Council.

The Council provides grant funding which is available to parish councils. Many Borough Members are also parish council representatives. Below is an analysis of significant funding awards made to Parish Councils during 2015/2016

		No. of Members	Payments other than precepts (Inc. VAT) £'000
Parish Councils:	Bishop's Cleeve	2	8
	Churchdown	3	24
	Northway	2	36

#### b Tewkesbury Swimming Baths Trust

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

	2014/2015 £'000	2015/2016 £'000
Deficit funding	158	182

#### c General Related Parties

Consideration has been given to whether individual members have any personal (including family) 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 Head of Finance & Asset Management:

### 30. Related Party Transactions (Continued)

Related Party	No. of Members	Payments 2015/2016 £'000
University of Gloucestershire	1	6
Cleeve Common Board of Conservators	2	25
UBICO Ltd	1	4,248
Severn & Avon Valley Flood group	1	10
GL3 Hub	1	8
Tewkesbury Rugby Club	2	70
Shurdington Social Club	1	16
Northway Youth Club	1	8
Priors Park Neighbourhood Project	1	9
Severn Vale Housing Association	1	4

#### Officers

No significant related parties were declared by Senior Officers of Tewkesbury Borough Council.

#### Entities Controlled or Significantly Influenced by the Council

The Council deficit funds the Swimming Bath Trust (see details above) and has the majority of votes on the Board. This means we effectively control the Trust. We do not prepare group accounts as the operating activities are reflected in the deficit funding and the Trust does not have any significant assets or liabilities.

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

### 31. 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.

	2014/2015 £'000	2015/2016 £'000
<b>Opening Capital Financing Requirement</b>	<b>1,047</b>	<b>731</b>
<b>Capital Investment</b>		
Property Plant & Equipment	2,207	6,708
Intangible assets	73	0
Revenue Expenditure Funded from Capital Under Statute	1,395	1,157
Purchase of Share Capital	0	0
	<u>3,675</u>	<u>7,865</u>
<b>Sources of finance</b>		
Capital receipts	-2,878	-6,960
Government grants and other contributions	-797	-789
<b>Sums set aside from revenue:</b>		
Direct Revenue Contributions	0	-116
Minimum Revenue Provision	-316	-731
	<u>-3,991</u>	<u>-8,596</u>
<b>Closing Capital Financing Requirement</b>	<b>731</b>	<b>0</b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrowing (supported by Government financial assistance)	0	0
Increase in underlying need to borrowing (unsupported by Government financial assistance)	0	0
Disposal / Minimum Revenue Provision - Finance lease	-316	-731
Assets acquired under finance leases	0	0
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>-316</b>	<b>-731</b>

Due to the novation of the vehicle contract to Ubico Ltd the Council no longer has a liability for a finance lease on the refuse vehicles. The liability and the assets have been removed from the Balance sheet and the requirement for borrowing has been derecognised. The Council therefore no longer has a CFR as at the 31 March 2016, as it has no debts or other liabilities which it has to finance in relation to the purchase of capital assets.

### 32. Defined Benefit Pension Schemes

#### 32.1 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.

### 32. Defined Benefit Pension Schemes (Continued)

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.

#### 32.2 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>2014/2015</b>	<b>2015/2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cost of Services:</b>		
- Current service cost	1,325	1,386
- Past service cost (including curtailments)	0	-
- Gain/(loss) on settlements	-97	-
<b>Financing and Investment Income and Expenditure</b>		
- Net interest expense	1,216	1,072
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>2,444</b>	<b>2,458</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
- Return on plan assets (excluding the amount included in the net interest expense)	-3,996	1,248
- Actuarial gains and losses arising on changes in demographic assumptions	0	
- Actuarial gains and losses arising on changes in financial assumptions	9,360	- 6,525
- Other	-523	- 1,079
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>7,285</b>	<b>-3,898</b>
<b>b). Movement in Reserves Statement</b>	<b>2014/2015</b>	<b>2015/2016</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	-2,444	-2,458
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
- Employers' contributions payable to scheme	2,147	2,094

## 32. Defined Benefit Pension Schemes (Continued)

### 32.3 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:

	2014/2015 £'000	2015/2016 £'000
Present value of the defined benefit obligation	74,322	68,514
Fair value of plan assets	-40,477	- 40,661
<b>Net liability arising from defined benefit obligation</b>	<b><u>33,845</u></b>	<b><u>27,853</u></b>

### 32.4 Reconciliation of the Movements in Fair Value of the Scheme Assets:

	2014/2015 £'000	2015/2016 £'000
<b>Opening fair value of scheme assets at 1 April</b>	<b>38,318</b>	<b>40,477</b>
Interest income	1,650	1,297
Effect of Settlements	-3,671	0
Remeasurement gain/(loss):		
- The return on plan assets, excluding the amount included in the net interest expense	3,996	-1,248
- Other (if applicable)		
The effect of changes in foreign exchange rates	0	0
Contributions from employer	2,147	2,094
Contributions from employees into the scheme	370	325
Benefits paid	-2,333	-2,284
<b>Closing fair value of scheme assets at 31 March</b>	<b><u>40,477</u></b>	<b><u>40,661</u></b>

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

	2014/2015 £'000	2015/2016 £'000
<b>Opening balance at 1 April</b>	<b>67,025</b>	<b>74,322</b>
Current service cost	1,325	1,386
Effect of Settlements	-3,768	
Interest cost	2,866	2,369
Contributions from scheme participants	370	325
Remeasurement gain/(loss):		
- Actuarial gains/losses arising from changes in demographic assumptions	0	0
- Actuarial gains/losses arising from changes in financial assumptions	9,360	- 6,525
- Other	-523	- 1,079
Past service cost	0	0
Benefits paid	-2,333	- 2,284
<b>Closing balance at 31 March</b>	<b><u>74,322</u></b>	<b><u>68,514</u></b>

### 32. Defined Benefit Pension Schemes (Continued)

#### 32.6 Local Government Pension Scheme assets comprised:

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Asset category	Period Ended 31 March 2015				Period Ended 31 March 2016			
	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	7,441	0	<b>7,441</b>	<b>18%</b>	7,814	0	<b>7,814</b>	<b>19%</b>
Debt Securities	6,683	0	<b>6,683</b>	<b>17%</b>	6,529	0	<b>6,529</b>	<b>16%</b>
Private Equity		121	<b>121</b>	<b>0%</b>	0	119	<b>119</b>	<b>0%</b>
Real Estate	2,007	903	<b>2,910</b>	<b>7%</b>	2,218	1,007	<b>3,225</b>	<b>8%</b>
Investment Funds and Unit Trusts	3,091	19,621	<b>22,712</b>	<b>56%</b>	3,137	19,394	<b>22,531</b>	<b>56%</b>
Derivatives	-2	0	<b>-2</b>	<b>0%</b>	-4	0	<b>-4</b>	<b>0%</b>
Cash and Cash Equivalents	612	0	<b>612</b>	<b>2%</b>	446	0	<b>446</b>	<b>1%</b>
<b>Totals</b>	<b>19,832</b>	<b>20,645</b>	<b>40,477</b>	<b>100%</b>	<b>20,140</b>	<b>20,520</b>	<b>40,660</b>	<b>100%</b>

## 32. Defined Benefit Pension Schemes (Continued)

### 32.7 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 2013. The next formal valuation will be as at 31 March 2016.

IAS19 states that the discount rate used to place a value on the liabilities should be “determined by reference to market yields at the end of the reporting period on high quality corporate bonds”. It further states that “the currency and term of the corporate bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations”. To that end it has been recommended that a single discount rate for all LGPS employers broadly equivalent to the yield available on a basket of AA rated bonds with duration similar to that of a ‘typical’ LGPS employer.

The discount rate as at 31 March 2016 has followed the same principles to those adopted at 31 March 2015. It has changed in one main way, in relation to the approach to Corporate Bond Yield curve calculation.

The significant assumptions used by the actuary have been:

	2014/2015	2015/2016
<b>Long-term expected rate of return on assets in the scheme:</b>		
Equity investments	3.2%	3.4%
Bonds	3.2%	3.4%
Property	3.2%	3.4%
Cash	3.2%	3.4%
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners:		
• Men	22.5	22.5
• Women	24.6	24.6
Longevity at 65 for future pensioners:		
• Men	24.4	24.4
• Women	27.0	27.0
<b>Rate of inflation</b>	2.4%	2.2%
<b>Rate of increase in salaries</b>	3.8%	3.7%
<b>Rate of increase in pensions</b>	2.4%	2.2%
<b>Rate for discounting scheme liabilities</b>	3.2%	3.5%

### 32.8 Commutation

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

## 32. Defined Benefit Pension Schemes (Continued)

### 32.9 Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table 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.

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

Change in assumptions at year ended 31 Mar 2016	Approx. % increase to Employer Liability	Approx. monetary amount (£'000)
0.5% decrease in Real Discount Rate	10%	6,895
1 year increase in member life expectancy	3%	2,055
0.5% increase in the Salary Increase Rate	3%	1,895
0.5% increase in the Pension Increase Rate (CPI)	7%	4,910

### 32.10 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 2016, with a stepped monetary amount to stabilise the payments.

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

	% of payroll		Monetary amount (£'000) p.a.
<b>Certified rates for the year ending:</b>			
31 March 2017	14.7%	plus	1,533

## 33. Leases

### The Council as Lessee

#### Finance Leases

The Council acquired a vehicle fleet on 1 April 2010 under a finance lease with C P Davidson and included the assets and liabilities in respect of this lease within the Balance Sheet. On the 1 April 2015 the Council novated the contract for the vehicle leases to Ubico Ltd. This was part of the agreement for Ubico Ltd to provide our waste and recycling services. As the liability for this contract has now been passed to Ubico Ltd, the Council no longer has a liability in respect of the vehicle lease with C P Davidson. The liability for the lease has therefore been removed from the financial statements.

#### Operating Leases

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

Land                      Land for Bishops Walk Car Park

### 33. Leases (Continued)

Vehicles	Street Cleansing and Grounds Maintenance Equipment
Equipment	Ricoh Photocopiers & Printers lease
	Danwood Photocopiers & Printers lease
	Xerox Photocopiers & Printers lease

The liability has reduced from the previous year as the council has surrendered the lease agreement for the depot site in Cheltenham from the 1 April 2015 as part of agreement with UBICO for them to provide waste and recycling services.

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

	<b>31 March 2015 £'000</b>	<b>31 March 2016 £'000</b>
Not later than one year	48	66
Later than one year and not later than five years	190	229
Later than five years	107	107
	<u><b>345</b></u>	<u><b>402</b></u>

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>2014/2015 £'000</b>	<b>2015/2016 £'000</b>
Minimum Lease Payments	97	72
Contingent Rents	0	0
	<u><b>72</b></u>	<u><b>72</b></u>

#### 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:

The Roses Theatre  
Holiday Caravan Site  
Bowling Club & Green  
Land for Cricket & Rugby Clubs  
Golf Clubhouse & Car Parking

- For income generation purposes (e.g. two industrial units at Clevedon and office space within the Council Offices)

### 33. Leases (Continued)

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

	<b>31 March 2015 £'000</b>	<b>31 March 2016 £'000</b>
Not later than one year	243	202
Later than one year and not later than five years	832	795
Later than five years	1,330	1,195
	<b><u>2,405</u></b>	<b><u>2,192</u></b>

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>2014/2015 £'000</b>	<b>2015/2016 £'000</b>
	120	107

The figures include leases starting after 31 March 2016 which were signed before the accounts were completed.

### Note 34. 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 February 18 2016](#)

The strategy for the previous year was approved on the 19 February 2015

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

## **Note 34. Nature and extent of risks arising from financial instruments (Continued)**

### **Credit Risk**

The transposition of two European Union (EU) directives into UK legislation will place the burden of rescuing failing EU banks disproportionately onto unsecured local authority investors. The Bank Recovery and Resolution Directive promote the interests of individual and small businesses covered by the Financial Services Compensation Scheme and similar European schemes, while the recast Deposit Guarantee Schemes Directive includes large companies into these schemes. The combined effect of these two changes, commonly known as the bail-in legislation, is to leave public authorities and financial organisations (including pension funds) as the only senior creditors likely to incur losses in a failing bank after July 2015.

Despite the continued global economic recovery leading to a general improvement in credit conditions since last year the credit risk associated with making unsecured bank deposits will increase relative to the risk of other investment options available to the Council (due to the above legislative changes).

The impact of this, as well as a shrinking investment portfolio, means the Council has reduced the amount it will lend to one organisation from £3m to £2m (apart from our current account bank Barclays Bank PLC). 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 payments 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.

### **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 in Table 2. 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).

### Note 34. Nature and extent of risks arising from financial instruments (Continued)

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 £8m.

Customers are assessed, taking into account their financial position (if the contract value is substantial), past experience and other factors. A credit checking agency is used to check substantial creditors before contracts are awarded.

The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions.

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.

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.

Rating	Amount outstanding at 31st March 2016 £'000	Historical experience of default (adj. for market conditions) %	Estimated maximum exposure to default and uncollectability at 31st March 2015 £'000	Estimated maximum exposure to default and uncollectability at 31st March 2016 £'000
<b>Customers</b>	718	0.15	2	1

The Council does not generally allow credit for customers. Currently £218k of the £721k 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.

	31st March 2015 £'000	31st March 2016 £'000
Less than three months	88	69
Three to six months	62	95
Six Months to one year	16	27
More than one year	50	28
<b>TOTAL</b>	<b>216</b>	<b>219</b>

**Note 34. 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 underestimated 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 £2m, of which all are maturing in less than a year (and cash and cash equivalents of £6m) the Council has no significant liquidity risk.

The strategy is to ensure that funds are not lent out for too long a period which could harm liquidity. The policy is:

Principal sums invested for periods longer than 364 days	2016/2017	2017/2018	2018/2019
Limit on principal invested beyond year end	£2m	£2m	£2m

The maturity analysis of financial liabilities is as follows:

	<b>31st March 2015 £'000</b>	<b>31st March 2016 £'000</b>
Less than one year	2	0
More than five years	0	0
<b>TOTAL</b>	<b>2</b>	<b>0</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.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus of 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.

### **Note 34. Nature and extent of risks arising from financial instruments (Continued)**

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.

#### **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 £75k gain or loss being recognised in the Other Comprehensive Income and Expenditure for 2015/2016.

#### **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.

### 35. 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.

	2014/2015 £'000	2015/2016 £'000
Income	11	11
Expenditure	1	2

Reserve held on behalf of the Trust is carried in our balance sheet. In 2015/2016 it was £38,974 (£30,462 in 2014/2015).

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 is owned by the Trust (the building only) and run by the Council on behalf of the Trust (under a management agreement). The Council deficit funds the Swimming Bath Trust and has the majority of votes on the Board. This means we effectively control the Trust. We do not prepare group accounts as the Operating activities are reflected in the deficit funding (see related parties note 30) and the Trust does not have any significant assets or liabilities.

### 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.

### 37. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Finance & Asset Management on 23 June 2016. 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 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## THE COLLECTION FUND

### Income and Expenditure Statement

2014/2015			Note	2015/2016		
£'000 Business rates	£'000 Council Tax	£'000 Total		£'000 Business rates	£'000 Council Tax	£'000 Total
<b>Income</b>						
0	45,061	<b>45,061</b>		0	46,187	<b>46,187</b>
<i>Transfer from General Fund:</i>						
0	0	<b>0</b>		0	0	<b>0</b>
29,911	0	<b>29,911</b>		28,317	0	<b>28,317</b>
<b>29,911</b>	<b>45,061</b>	<b>74,972</b>		<b>28,317</b>	<b>46,187</b>	<b>74,504</b>
<b>Expenditure</b>						
<b>Precepts, Demands and Shares</b>						
17,885	0	<b>17,885</b>		17,514	0	<b>17,514</b>
14,308	4,542	<b>18,850</b>		14,011	4,757	<b>18,768</b>
3,577	33,028	<b>36,605</b>		3,503	33,843	<b>37,346</b>
0	6,292	<b>6,292</b>		0	6,447	<b>6,447</b>
124	0	<b>124</b>		124	0	<b>124</b>
<b>35,894</b>	<b>43,862</b>	<b>79,756</b>		<b>35,152</b>	<b>45,047</b>	<b>80,199</b>
<b>Bad and Doubtful Debts:</b>						
163	127	<b>290</b>		374	134	<b>508</b>
-35	34	<b>-1</b>		-80	7	<b>-73</b>
6,580	0	<b>6,580</b>		-4,891	0	<b>-4,891</b>
<b>6,708</b>	<b>161</b>	<b>6,869</b>		<b>-4,597</b>	<b>141</b>	<b>-4,456</b>
<b>Transfer of Collection Fund Surplus</b>						
-227	660	<b>433</b>	<b>4</b>	-6,530	980	<b>-5,550</b>
<b>42,375</b>	<b>44,683</b>	<b>87,058</b>		<b>24,025</b>	<b>46,168</b>	<b>70,193</b>
<b>-12,464</b>	<b>378</b>	<b>-12,086</b>		<b>4,292</b>	<b>19</b>	<b>4,311</b>
<b>Movement on Fund</b>						
			<b>4</b>			
-2,474	934	<b>-1,540</b>		-14,938	1,312	<b>-13,626</b>
-12,464	378	<b>-12,086</b>		4,292	19	<b>4,311</b>
<b>-14,938</b>	<b>1,312</b>	<b>-13,626</b>		<b>-10,646</b>	<b>1,331</b>	<b>-9,315</b>
<b>Allocated to:</b>						
-7,469	0	<b>-7,469</b>		-5,323	0	<b>-5,323</b>
-5,975	137	<b>-5,838</b>		-4,258	140	<b>-4,118</b>
-1,494	987	<b>-507</b>		-1,065	1,002	<b>-63</b>
0	188	<b>188</b>		0	189	<b>189</b>
<b>-14,938</b>	<b>1,312</b>	<b>-13,626</b>		<b>-10,646</b>	<b>1,331</b>	<b>-9,315</b>

## NOTES TO THE COLLECTION FUND

### 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 1st 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:

<b>Band</b>	<b>Range of Values</b>	<b>Multiplier</b>
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 2015/2016 the tax base was £31,034 compared to £30,287.37 in 2014/2015. 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.

## NOTES TO THE COLLECTION FUND (Continued)

The 2015/2016 base was calculated as follows:

Band	Number of Chargeable Dwellings	Multiplier	Band D Equivalents
Z	10.25	5/9	5.69
A	3,662.90	6/9	2,441.93
B	4,620.89	7/9	3,594.03
C	8,632.93	8/9	7,673.72
D	4,933.05	9/9	4,933.05
E	4,320.42	11/9	5,280.51
F	2,737.07	13/9	3,953.55
G	1,691.35	15/9	2,818.92
H	166.05	18/9	332.10
<b>Total Band D Equivalents</b>			31,033.50
Collection Rate			98.50%
<b>Chargeable Band D Equivalents</b>			30,568.00
Armed Forces class 'O' contributions in lieu of Council Tax			466
<b>Council Tax Base 2015/2016</b>			31,034.00

### 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:

	2014/2015 £'000	2015/2016 £'000
Gloucestershire County Council	33,028	33,843
Police Authority	6,292	6,447
Tewkesbury Borough Council	3,009	3,084
Total for Parishes	1,533	1,673
	<b>43,862</b>	<b>45,047</b>

The Council set an average council tax level for 2015/2016 at Band D of £1,451.50, including Parish precepts, compared to £1,448.20 in 2014/2015. This is broken down as follows:

	2014/2015 £	2015/2016 £
Gloucestershire County Council	1,090.50	1,090.50
Police Authority	207.73	207.73
Tewkesbury Borough Council	149.97	153.27
	<b>1,448.20</b>	<b>1,451.50</b>

The tax level for Parish budgets ranged from nil to £87.96

## NOTES TO THE COLLECTION FUND (Continued)

### 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 £81,272,396 at 31st March 2016 (£82,444,171 at 31st March 2015), multiplied by a uniform rate in the pound set by Central Government. In 2015/2016 the government provided a reduced rate for businesses with small rateable values of less than £18,000 (£18,000 in 2014/2015). For 2014/2015 this was set at 48.0p (2014/2015 47.1p), with the standard rate in the pound being 49.3p (2014/2015 48.2p) 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.

	<b>Council Tax £'000</b>	<b>Total £'000</b>
Balance at 1 April 2015	<b>1,312</b>	<b>1,312</b>
Income 2015/2016	46,046	46,046
Precepts 2015/2016	45,047	45,047
Surplus Distributed 2015/2016	980	980
Balance at 31 March 2016	<b>1,331</b>	<b>1,331</b>
Committed Distribution 2016/2017	980	980
Balances for distribution 2017/2018	<b>351</b>	<b>351</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 2016 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 2015/16.

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 2015/16, 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 2016 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 2015/16 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 2016.

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 2016.

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

Alex Walling  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Hartwell House  
55-61 Victoria Street  
Bristol  
BS1 6FT

21 September 2016

## **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 2016
<b>Subject:</b>	Internal Audit Plan Monitoring Report
<b>Report of:</b>	Graeme Simpson, Corporate Services Group Manager
<b>Corporate Lead:</b>	Mike Dawson, Chief Executive
<b>Lead Member:</b>	Councillor R J E Vines
<b>Number of Appendices:</b>	Three

<p><b>Executive Summary:</b></p> <p>This is first monitoring report of the financial year and summarises the work undertaken by and the assurance opinions given by Internal Audit for the period April – August 2016.</p>
<p><b>Recommendation:</b></p> <p><b>To consider the audit work completed and the assurance given on the adequacy of internal controls operating in the systems audited.</b></p>
<p><b>Reasons for Recommendation:</b></p> <p>The work of Internal Audit Work 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.</p>

<p><b>Resource Implications:</b></p> <p>None.</p>
<p><b>Legal Implications:</b></p> <p>None.</p>
<p><b>Risk Management Implications:</b></p> <p>If the CAE does not report functionally to the board then this does not comply with PSIAS.</p> <p>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.</p>
<p><b>Performance Management Follow-up:</b></p> <p>All recommendations made by Internal Audit are followed up within appropriate timescales to give assurance they have been implemented. All recommendations made by Internal Audit are reported to the Audit Committee and these can be found in Appendix 3.</p>

**Environmental Implications:**

None.

**1.0 INTRODUCTION/BACKGROUND**

**1.1** The 2016/17 Internal Audit plan was approved at Audit Committee on 23 March 2016. This is the first monitoring report of the financial year and summarises the work undertaken by and the assurance opinions given by Internal Audit for the period April to August 2016. It is a requirement of the Public Sector Internal Audit Standards (PSIAS) that the Chief Audit Executive (Corporate Services Group Manager) 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.

**2.2** A list of the audits within the 2016/17 audit plan and their progress to date can be found in Appendix 2.

**2.3** 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 there are two areas where a limited opinion has been given. This relates to aspects of tree inspections and bulky waste.

**2.4** All audit recommendations have been included within this monitoring report. This provides the Committee with an overview of the breadth of work undertaken and allows it to monitor the implementation of the audit recommendations. The list of recommendations and their status can be found in Appendix 3. Note: recommendations that have been previously reported to the Audit Committee as implemented have been removed from the template.

**3.0 FRAUD/CORRUPTION/THEFT/WHISTLEBLOWING**

**3.1** No incidents have been reported during the period.

**4.0 PARTNERSHIP ARRANGEMENT WITH TEWKESBURY TOWN COUNCIL**

**4.1** The year-end audit for Tewkesbury Town Council (TTC) was completed in the period and reported to the TTC Finance Committee.

**5.0 OTHER OPTIONS CONSIDERED**

**5.1** None.

**6.0 CONSULTATION**

**6.1** All Managers are consulted prior to the commencement of the audit to agree the scope and each Manager has the opportunity to complete a client survey at the end of the audit.

- 7.0 RELEVANT COUNCIL POLICIES/STRATEGIES**
- 7.1 Internal Audit Charter and Internal Audit Annual Plan.
- 8.0 RELEVANT GOVERNMENT POLICIES**
- 8.1 None.
- 9.0 RESOURCE IMPLICATIONS (Human/Property)**
- 9.1 None.
- 10.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)**
- 10.1 None.
- 11.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)**
- 11.1 Internal Audit contributes to VFM through its improvement work.
- 12.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS**
- 12.1 None.

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**Background Papers:** None.

**Contact Officer:** Graeme Simpson, Corporate Services Group Manager  
Tel: 01684 272002  
Email: [Graeme.simpson@teWKesbury.gov.uk](mailto:Graeme.simpson@teWKesbury.gov.uk)

**Appendices:** Appendix 1 – Audit work undertaken March 2016.  
Appendix 2 – Audit Plan Progress.  
Appendix 3 – Summary of Recommendations.

List of audits completed as part of the 2016-17 Audit Plan (April – August 2016)

Audit	Audit Objective & Opinion		
PSN 2016-17	<p><b>Control Objectives (CO):</b></p> <p>1. The 2015/16 PSN code of compliance renewal has been completed in advance of its expiry, has been authorised by an appropriate officer and there is evidence to support compliance.</p> <p><b>Audit opinion</b></p>		
	CO	Assurance Level	Opinion
	1	Satisfactory	<p>Tewkesbury Borough Council's 2015/16 PSN code of compliance submission was found to have been appropriately signed off by the Deputy Chief Executive in their role as the council's Senior Information Risk Owner (SIRO). The initial submission for the 2015/16 PSN connection was made in advance of its expiry, the council was however required to make two further submissions and the accepted submission came after the expiry date. There were however no implications as a result of this.</p> <p>A sample of key requirements from the code of compliance were reviewed during the audit; these included:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Vulnerability management (patch management).</li> <li><input type="checkbox"/> Secure accommodation, supporting policies and practices.</li> <li><input type="checkbox"/> Security incident response.</li> <li><input type="checkbox"/> Authentication and access control to devices and services.</li> <li><input type="checkbox"/> Administrative privileges of users.</li> <li><input type="checkbox"/> Supporting network diagram and ICT health checks.</li> </ul> <p>This identified that appropriate supporting documentation was provided as part of the submission, there are however a number of ICT policies and procedures supporting the PSN which require reviewing and updating. In this connection, it is recommended that testing of the Security Incident Management Plan is carried out. Personal commitment statements were found to have been signed and returned for all PSN users, with the exception of two. These two commitment statements have been issued by ICT who were awaiting their return at the time of the audit.</p>

Tree  
Inspections  
2016-17

**Control Objectives (CO):**

1. Trees owned by TBC are being inspected
2. Trees are being accurately recorded according to their age, status and location
3. Findings identified are being resolved as appropriate

**Audit Opinion**

CO	Assurance Level	Opinion
1	Limited	<p>Prior to the audit the Asset Manager (AM), who has now taken on responsibility for tree maintenance, was aware that in the winter round of 2015/16 tree inspections, some trees had been inspected that were not owned by the authority. Maps used for the inspection process were incomplete in respect of identifying land owned by the council and the inspectors relied on historic grounds maintenance maps and officer's own knowledge of grass cutting areas to locate the trees for inspection. The audit has quantified that out of the 672 trees inspected, 191 of these are not formally owned by TBC. The AM has indicated that some of the land areas inspected are unadopted and have historically been maintained by TBC. These unadopted areas will be reviewed by the AM and outcomes to resolve the issue of ongoing maintenance/inspection will be presented to council members.</p> <p>The audit noted that trees on non-council land have now been removed from any future inspection rotas and the AM confirmed that their ongoing maintenance is being managed through customer intervention and through the use of legislation concerning dangerous trees. In respect of ensuring that trees on council land are only inspected in future, the AM demonstrated that maps showing current council land have now been updated and this together with instructions being issued directly from the asset management team to UBICO (the service deliverer) and a plot positioning check on newly inspected trees will give assurance of that only TBC owned trees will in future be inspected.</p>
2	Satisfactory	<p>Tree records are maintained on the PSS Live system, which is a cloud based system. Through the checking of several of the tree site areas, a satisfactory level of assurance was obtained that accurate information concerning the type, age and condition of the tree is being recorded. Tree plotting positions were also found to be accurate. However, it was noted that the risk scoring of the tree in respect of setting future inspection regimes was not followed and the AM acknowledged that further training support needs to be offered to the inspecting officers. Further processes in relation to the recording tree service requests raised by customer services and dealt with by UBICO need to be established to ensure that a comprehensive history of actions carried out on any council tree is logged with the PSS system. This includes the identification and handling to handmade play equipment being attached to council owned trees.</p>

			<p>A review of the contract with PSS identified that the council was responsible for providing data recovery and this system needs to be developed in order to ensure that the council's tree data is maintained and accessible at all times. The tree information that is collected during an inspection process is entered onto a handheld device and data is uploaded to the PSS system by the inspecting officer. There has been limited control in confirming that the expected inspections have taken place, however, this will be mitigated in future by the assigning of routes for inspectors to follow and a time frame in which to conduct the inspections. However, consideration does need to be given to verifying actual tree inspections carried to those being uploaded into the PSS Live system to ensure that all tree inspections have been received.</p>						
3	Good	<p>Findings from tree inspections are being resolved appropriately. It was noted that delays may incur with completion of works to trees where trees are cited in conservation areas or if the tree has a preservation order (TPO), as applications have to be made to the planning department. To enhance working practices it is the intention to note TPOs and conservation areas where appropriate within the PSS live system.</p>							
<p>Playground Inspections 2016-17</p>	<p><b>Control Objectives (CO):</b></p> <p>1. Playground inspections are undertaken in accordance with the council's inspection plan, conform to EN1176 standards, are carried out by competent officers, and faults are rectified in a timely manner</p> <p><b>Audit Opinion</b></p> <table border="1" data-bbox="405 1267 1556 2065"> <thead> <tr> <th data-bbox="405 1267 480 1301">CO</th> <th data-bbox="485 1267 778 1301">Assurance Level</th> <th data-bbox="783 1267 1556 1301">Opinion</th> </tr> </thead> <tbody> <tr> <td data-bbox="405 1308 480 2065">1</td> <td data-bbox="485 1308 778 2065">Satisfactory</td> <td data-bbox="783 1308 1556 2065"> <p>The British Standards EN1176 'best practice guide' recommends that an appropriate inspection schedule and plan should be established in order to mitigate risk of harm. It was found that the council possesses both of these documents and it was noted that the risk assessment schedule was updated to include all current playgrounds during the audit process. With regard to the playground inspection plan this needs to be updated to reflect the optional approach to inspecting newly acquired playgrounds. An annual review of both documents should then be demonstrated.</p> <p>Playgrounds are being inspected in accordance with the council's risk assessment schedule, although newly adopted playgrounds should demonstrate a twice weekly inspection regime for the first 6 weeks. Inspections are undertaken by a number of council officers from both Environmental Health and Property Services, a log is maintained for inspections carried out by Environmental Health and as this is a useful tool for ensuring that all inspections are undertaken on time – the log should be extended to include all playgrounds and be placed on the public drive so that the review by property services of the</p> </td> </tr> </tbody> </table>			CO	Assurance Level	Opinion	1	Satisfactory	<p>The British Standards EN1176 'best practice guide' recommends that an appropriate inspection schedule and plan should be established in order to mitigate risk of harm. It was found that the council possesses both of these documents and it was noted that the risk assessment schedule was updated to include all current playgrounds during the audit process. With regard to the playground inspection plan this needs to be updated to reflect the optional approach to inspecting newly acquired playgrounds. An annual review of both documents should then be demonstrated.</p> <p>Playgrounds are being inspected in accordance with the council's risk assessment schedule, although newly adopted playgrounds should demonstrate a twice weekly inspection regime for the first 6 weeks. Inspections are undertaken by a number of council officers from both Environmental Health and Property Services, a log is maintained for inspections carried out by Environmental Health and as this is a useful tool for ensuring that all inspections are undertaken on time – the log should be extended to include all playgrounds and be placed on the public drive so that the review by property services of the</p>
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	<p>completeness of the inspection process can by undertaken promptly.</p> <p>Inspection data is retained on the cloud based PSS live system, and a review of this data found that details retained on individuals inspections are adequate and include details concerning condition of equipment and also site particulars. The syncing of inspection reports from mobile phones was found on occasions to be lengthy in particular for the quarterly operational inspections and this potentially could lead to data being lost if the syncing fails. It was agreed with the Asset Manager that the proposed review of risks to inspection data using the PSS live system will now also consider loss through syncing.</p> <p>The British Standards state that inspectors should be “competent”, however, the standards does not then define competency. The council has provided training for all its inspectors and this was evidenced through the Register of Play Inspectors International. During the audit it was established that this training is to be provided on a regular three yearly basis to all inspectors. This forms the basis of the council’s definition of competency and as such will need to be included within the playground inspection plan.</p> <p>The process for reporting faults was identified and evidence was obtained that gives assurance that faults are being reported, recorded and generally being resolved in accordance with the time frame outlined in the risk matrix used for scoring fault risk levels. The time frame for resolving faults is generated through the risk scoring process and to ensure that a consistent approach is maintained to this scoring it is noted that the inspector training will include this process and feedback of any scoring inconsistencies will be feedback to the relevant inspector. With regard to the resolution of faults, whilst there is no recorded process for reviewing repairs, photographic evidence is maintained of repairs completed by internal staff. Where a contractor is employed to carry out works on faulty equipment, the completion of these works is documented through the following scheduled inspection.</p> <p>Litigation claims of injury through the use of council playgrounds are covered under council’s general public liability insurance. There is reasonable assurance that there are appropriate insurance arrangements in place, and that inspection records and schedules will provide evidence to defend against a potential claim.</p>
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Tells Us Once  
2016-17

**Control Objectives (CO):**

1. Tell Us Once notifications are processed in a timely manner.
2. Data relating to Tell Us Once notifications is processed and retained in accordance with Data Protection laws.

**Audit Opinion**

CO	Assurance Level	Opinion
1	Satisfactory	<p>A review of performance reports provided by DWP established that all notifications sent to Tewkesbury Borough Council had been picked up from the Tell Us Once portal in the first instance, with the longest time taken for a notification to be read being just 1 day and 19 hours. Through reviewing a sample of notifications, assurance was obtained that appropriate systems and records had been updated accurately and promptly following receipt. It is however recommended that consideration be given to Housing Services and the volunteer litter picker scheme administrator receiving notifications, provided that it is acceptable to share this information under Data Protection.</p> <p>Through observation and discussions with staff, assurance was obtained that roles and responsibilities in respect of processing Tell Us Once notifications are clear and that staff within receiving areas are aware of their responsibilities. In respect of the Tell Us Once sponsors; arrangements are now in place for them to receive the four-weekly performance reports. It has also been recommended that the End User Tracker (EUT) which records access to the Tell Us Once portal and is currently out of date, be updated.</p>
2	Satisfactory	<p>A memorandum of Understanding exists between DWP, Gloucestershire County Council and Tewkesbury Borough Council in respect of the Tell Us Once service. Appropriate Customer Service staff have been issued with a token to access the Tell Us Once portal through a two-factor authentication process. Allocated token numbers were found to correspond to the physical token numbers held by staff.</p> <p>The audit established that data retention schedules for the service areas concerned do not currently exist and there is a lack of consistency with how long, or in which form the notifications are retained. It's important that the council ensures it is protecting any personal information it receives and that it is retained appropriately. It has therefore been recommended that a review be carried out to include:</p> <ul style="list-style-type: none"> <li>• Appropriate retention periods- supported by retention policy</li> <li>• Level of information held</li> <li>• Identification of appropriate user training</li> <li>• Development of a Privacy Policy</li> </ul>

<p><b>Bulky Waste Collection 2016-17</b></p>	<p><b>Control Objectives (CO):</b></p> <ol style="list-style-type: none"> <li>1. Bulky Waste Charges have been formally approved and are reviewed on a regular basis</li> <li>2. Customer's requests to collect bulky items are dealt with in a timely manner</li> <li>3. Bulky Waste payments are collected for the correct charge and are allocated to the general ledger</li> </ol> <p><b>Audit Opinion:</b></p> <table border="1" data-bbox="408 456 1548 1621"> <thead> <tr> <th>CO</th> <th>Assurance Level</th> <th>Opinion</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Limited</td> <td>This audit identified that the bulky waste current charge of £20 has been in operation since April 2011. In addition, a 50% discount of the charge was approved by Executive Committee in September 2011 for customers on housing and council tax benefits. 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A review of available time slots found that in some geographical areas customers were waiting 7 weeks before collections, whereas the anticipated service delivery is 10 working days. Factors influencing this delay were, the number of time slots could not meet demand and that time slots were also being used for the delivery of domestic bins. A short term solution had been identified; however, continued monitoring of the time slot availability is required to support the development of a long term remedy to ensuring that service delivery is achieved in a timely manner.</td> </tr> <tr> <td>3</td> <td>Satisfactory</td> <td>Using a test sample, it was established that bulky waste payments are collected for the correct charge according to any discounts, and are allocated to the general ledger promptly and to the correct code. Currently, refunds are authorised by Customer Services (CS) of which four members of the CS team are authorising refunds. 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<p><b>ICT Environmental Controls 2016-17</b></p>	<p><b>Control Objectives (CO):</b></p> <ol style="list-style-type: none"> <li>1. The council's ICT infrastructure is supported by a Security Policy and adequate business continuity arrangements are in place.</li> <li>2. Adequate physical and environmental controls are in place within the ICT server room.</li> <li>3. Appropriate insurance cover is maintained in respect of the council's ICT infrastructure.</li> </ol>												

4. To follow up the recommendations made as part of the 2015/16 ICT asset inventory audit.

**Audit Opinion:**

CO	Assurance Level	Opinion
1	Satisfactory	<p>The council has an ICT policy which provides high level coverage of general security issues. This is currently in the process of being updated as it was originally approved in 2010. In order to ensure that all aspects of ICT security have been recognised, it has been recommended that a corporate approach be taken to ensuring that appropriate council policies are developed/ updated to incorporate all physical and environmental information security risks which in addition to ICT security should include building security, non-electronic information, computer equipment storage etc.</p> <p>An ICT business continuity plan exists which was last updated in December 2015. This is soon to become obsolete a work is currently underway to develop new business continuity plans for all service areas, which will feed into a corporate business continuity plan for the council. The ICT Operations Manager has been involved in the discussions with individual services to develop their business continuity plans which will inform ICT's plan. In respect of disaster recovery, this is incorporated within ICT's business continuity plan and an agreement is in place with Phoenix Services Ltd to provide a recovery facility; the process of which is tested for two days per annum.</p>
2	Satisfactory	<p>All staff working within Tewkesbury Borough Public Services Centre currently have access to all areas of the building between the hours of 9am to 5pm (with the exception of the ICT server room and Police offices). Although only a small number of staff regularly access the areas occupied by our partner organisations through integrated working, there is a need for a wider awareness of this arrangement in order to manage the security and data protection risks associated with open access to the building. It has therefore been recommended that appropriate action be taken in this respect.</p> <p>The audit confirmed that adequate environmental controls are in place within the ICT server room; these include a fire suppression system, fire extinguishers, fire alarm, air conditioning and uninterrupted power supply; protecting the ICT equipment from risk of fire, water damage and extremes of temperature. Verbal assurance was obtained that this equipment is regularly maintained.</p>
3	Good	<p>The council has a specific insurance policy in place in respect of its computer equipment; this was found to be up to date and provides adequate coverage for the council's needs based on its ICT infrastructure. Valuations in respect of the insured equipment are carried out by the relevant manager on an annual basis to ensure that coverage remains appropriate and these are now also supported by an up to date asset inventory. Furthermore, conditions placed on the council under the policy were found to be met.</p>

<p>Community Support Grants 2016-17</p>	<p><b>Control Objectives (CO):</b></p> <ol style="list-style-type: none"> <li>1. The community grant scheme has been appropriately approved</li> <li>2. Applications have been appropriately approved and payments have been made in accordance with the scheme</li> <li>3. There is adequate monitoring of the scheme</li> </ol> <p><b>Audit Opinion:</b></p> <table border="1" data-bbox="408 456 1552 1697"> <thead> <tr> <th data-bbox="408 456 480 490">CO</th> <th data-bbox="480 456 746 490">Assurance Level</th> <th data-bbox="746 456 1552 490">Opinion</th> </tr> </thead> <tbody> <tr> <td data-bbox="408 490 480 759">1</td> <td data-bbox="480 490 746 759">Good</td> <td data-bbox="746 490 1552 759">Evidence was obtained that the Community Grant Scheme and associated criteria has been appropriately approved at Executive Committee. It was recognised in a report to Exec Committee that the Council has agreed to a budgeted £180,000 allocated to community grants and the community funding officer's post, although at the time of audit, the Council's decision to approve the 2016/2017 budget remains at the status 'for determination'.</td> </tr> <tr> <td data-bbox="408 759 480 1099">2</td> <td data-bbox="480 759 746 1099">Good</td> <td data-bbox="746 759 1552 1099">Using a sample of both successful and unsuccessful applications, a review was completed which identified that these applications had been appropriately approved or rejected at the Community Grants Working Group, according to the criteria set out in the grant scheme guidelines. In addition, testing found that the successful applications had been paid accurately in regards to the approved grant amount, the personal and bank details of the applicant, and appropriately allocated to the General Ledger.</td> </tr> <tr> <td data-bbox="408 1099 480 1697">3</td> <td data-bbox="480 1099 746 1697">Satisfactory</td> <td data-bbox="746 1099 1552 1697">Evidence of monitoring systems was obtained demonstrating that recording of approved grants and allocated funds are documented in the Community Funding Officer's (CFO) monitoring spreadsheet. This monitoring spreadsheet is taken to the quarterly Working Group meetings to keep members informed of the available budget. The CFO confirmed that a visual reconciliation between the monitoring spreadsheet and the general ledger is completed on a regular basis with support from Financial Services. The reconciliation is currently not documented and it is recommended that the monitoring spreadsheet be amended to demonstrate this process and that the CFO receives training on the financial ledger system in order to independently undertake the reconciliation. The monitoring spreadsheet could also be developed to include further information in regards to individual applications, including returned unspent funds, to provide a comprehensive view of the application process.</td> </tr> </tbody> </table>	CO	Assurance Level	Opinion	1	Good	Evidence was obtained that the Community Grant Scheme and associated criteria has been appropriately approved at Executive Committee. It was recognised in a report to Exec Committee that the Council has agreed to a budgeted £180,000 allocated to community grants and the community funding officer's post, although at the time of audit, the Council's decision to approve the 2016/2017 budget remains at the status 'for determination'.	2	Good	Using a sample of both successful and unsuccessful applications, a review was completed which identified that these applications had been appropriately approved or rejected at the Community Grants Working Group, according to the criteria set out in the grant scheme guidelines. In addition, testing found that the successful applications had been paid accurately in regards to the approved grant amount, the personal and bank details of the applicant, and appropriately allocated to the General Ledger.	3	Satisfactory	Evidence of monitoring systems was obtained demonstrating that recording of approved grants and allocated funds are documented in the Community Funding Officer's (CFO) monitoring spreadsheet. This monitoring spreadsheet is taken to the quarterly Working Group meetings to keep members informed of the available budget. The CFO confirmed that a visual reconciliation between the monitoring spreadsheet and the general ledger is completed on a regular basis with support from Financial Services. The reconciliation is currently not documented and it is recommended that the monitoring spreadsheet be amended to demonstrate this process and that the CFO receives training on the financial ledger system in order to independently undertake the reconciliation. The monitoring spreadsheet could also be developed to include further information in regards to individual applications, including returned unspent funds, to provide a comprehensive view of the application process.
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<p>Corporate Improvement Work</p>	<p><b>Post Opening</b> Identifying posting opening process for social services 'ICT referral service' to ensure that the postal receipts are managed in a confidential manner.</p> <p><b>Planning Statistics</b> Collation of planning bench marking statistics for Corporate Leadership Team. This includes service cost, processing times, team structures and staffing numbers.</p>												

**The level of internal control operating within systems will be classified in accordance with the following definitions:-**

<b>LEVEL CONTROL</b>	<b>OF</b>	<b>DEFINITION</b>
<b><i>Good</i></b>		Robust framework of controls – provides substantial assurance.
<b><i>Satisfactory</i></b>		Sufficient framework of controls – provides satisfactory assurance – minimal risk. Probably no more than one or two ‘Necessary’ (Rank 2) recommendations.
<b><i>Limited</i></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><i>Unsatisfactory</i></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**

<b>CATEGORY</b>		<b>DEFINITION</b>
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 2016-17**

<b>Audit</b>	<b>Status</b>
Tree Inspections	Final – reported to Audit Committee 21 September 2016.
Playground Inspections	Final - reported to Audit Committee 21 September 2016.
Tell Us Once	Final - reported to Audit Committee 21 September 2016.
Health & Safety	In progress.
ICT – PSN Compliance	Final - reported to Audit Committee 21 September 2016.
Bulky Waste	Final - reported to Audit Committee 21 September 2016.
ICT – Environmental Controls	Final - reported to Audit Committee 21 September 2016.
Community Support Grants	Final - reported to Audit Committee 21 September 2016.
Ubico – client monitoring	In progress.
Housing Benefits	In progress.
Lone Working	Quarter 2.
NNDR	Quarter 2.
Insurances	Quarter 2.
Safeguarding	Quarter 3.
Tourist Information Centres	Quarter 3.
Recycling	Quarter 3.
Main Accounting System	Quarter 3.
Council Tax	Quarter 3.
Creditors	Quarter 3.
Environmental Health Flood Grants	Quarter 3.
ICT	Quarter 3.
ICT – change controls	Quarter 4.
Debtors	Quarter 4.
Complaints	Quarter 4.
Information Governance	Quarter 4.
Business Continuity	Quarter 4.
New Leisure Centre Monitoring	Quarter 4.
Treasury Management	Quarter 4.

## AUDIT COMMITTEE – 21/09/16

Outstanding Audit Recommendations

## Key:

<b>Red</b>	Recommendation reviewed and found not implemented
<b>Yellow</b>	Recommendation reviewed and found to be partially implemented
<b>Green</b>	Recommendation reviewed and found to be implemented

<b>Audit</b>	<b>Recommendation Details</b>	<b>Expected implementation date for recommendation</b>	<b>Date Audit Followed Up</b>	<b>Current Recommendation Status</b>	<b>Further Audit Comments</b>	<b>Target Follow Up Date</b>
Food control 2014-15	Enhancements should be made to the food business registration process. In this connection, confirmation should be obtained from One Legal as to the necessity for the addition of an applicant declaration to the online registration form.	Mar-16	Jul-16	Follow up Undertaken – implemented <b>(Green)</b>		16-17 q1
Food control 2014-15	The risk evaluation programme should be subject to a periodic management review undertaken by management of the work carried out by inspecting officers. Furthermore, as required by the Food Law Code of Practice, the procedure for the authorisation of officers should be documented	Mar-16	Jul-16	Follow up Undertaken – implemented <b>(Green)</b>		16-17 q1
Homeless 2014-15	To demonstrate best value a procurement exercise in relation to storage should be undertaken	Apr-16				16-17 q1

<b>Audit</b>	<b>Recommendation Details</b>	<b>Expected implementation date for recommendation</b>	<b>Date Audit Followed Up</b>	<b>Current Recommendation Status</b>	<b>Further Audit Comments</b>	<b>Target Follow Up Date</b>
Homeless 2014-15	Call off contracts for B&B properties should be established and assurance of the continuing suitability of the accommodation being provided should be obtained	Jun-16				16-17 q1
Tree Inspections 2015-16	A database of tree inspections should be established and maintained - The investigations in respect of the 31 non risk assessed land areas needs to be completed and the trees inspected	Mar-16	Aug-16	Follow up Undertaken – implemented <b>(Green)</b>	Follow up undertaken as part of Tree Inspections Audit 2016-17	16-17 q1
Benefits Audit 2014-15	The checking of benefit claims should give consideration to the following:- The checks undertaken by the Benefits Team Leader should be dated. The checking regime will be documented Consideration should be given to staff resilience to ensure that checking is undertaken on a consistent basis	Mar-16				16-17 q2
Local Transparency Agenda Follow-Up 2015/16	The following action should be undertaken in order to comply with the publication requirements of the Local Transparency Code 2015. 1. A review of the data published in respect of local authority land should be carried out to ensure the information is clear and compliant to the code	Mar-16				16-17 q2
Local Transparency Agenda Follow-Up 2015/16	Overall responsibility for the council's contract register should be defined.	Mar-16				16-17 q2

<b>Audit</b>	<b>Recommendation Details</b>	<b>Expected implementation date for recommendation</b>	<b>Date Audit Followed Up</b>	<b>Current Recommendation Status</b>	<b>Further Audit Comments</b>	<b>Target Follow Up Date</b>
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.	Mar-16				16-17 q2
Property Audit – TBC building tenant leases 2014-15	The disposal of commercial waste by TBC on behalf of tenants should be incorporated within the lease and the appropriate debt raised against the tenants	Dec-15				16-17 q2
Property Audit – TBC building tenant leases 2014-15	Property inspections should be carried out when a lease is initiated and then at least on an annual basis	Mar-16				16-17 q2
Council Tax 2014-15	Inspection process needs to be enhanced to ensure that council tax is raised at the earliest opportunity	Feb-16				16-17 q3
Creditors 2015-16	Undertake a periodic stocktake of cheques	Mar-16				16-17 q3
Creditors 2015-16	Pre-signed cheques should be stored in a strong room or safe with appropriate access controls	Mar-17				16-17 q3
ICT Asset Inventory Follow-Up 2015-16	Enhancements should be made to the draft ICT Asset Management Procedure. In this connection, the procedure should document the responsibility for reviewing the asset register, the frequency at which this should be carried out and the escalation process for any exceptions identified.	Mar-16	Aug-16	Follow up Undertaken – implemented <b>(Green)</b>	Follow Up undertaken as part of the ICT Environmental Controls Audit 2016-17	16-17 q3

Audit	Recommendation Details	Expected implementation date for recommendation	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
ICT Asset Inventory Follow-Up 2015-16	Managers should be made aware of their responsibility in respect of portable items. In this connection, the procedures for tracking equipment between ICT and individual services, departments should be made aware of their responsibility to track the whereabouts of the portable items within their teams	Mar-16	Aug-16	Mitigated by other processes <b>(Green)</b>	Follow Up undertaken as part of the ICT Environmental Controls Audit 2016-17 Responsibility for portable ICT equipment will form part of the ICT Policy review which is currently in the process of being carried out. In terms of carrying out a physical check of these items, this was undertaken as part of the annual asset register review. It is also noted that the ICT Asset Management Procedures now includes a statement indicating that 'responsibility for mobile assets belongs to the operational manager for each service area'.	<b>16-17 q3</b>
ICT helpdesk 2015-16	Supporting procedures should be documented for the helpdesk.	Aug-16				<b>16-17 q3</b>
ICT helpdesk 2015-16	A periodic check of open tickets should be carried out to ensure they are being closed off promptly.	Aug-16				<b>16-17 q3</b>
ICT helpdesk 2015-16	Further promotion of the self-service portal should be carried out.	Aug-16				<b>16-17 q3</b>
ICT helpdesk 2015-16	Feedback on the new system should be sought from users.	Aug-16				<b>16-17 q3</b>

<b>Audit</b>	<b>Recommendation Details</b>	<b>Expected implementation date for recommendation</b>	<b>Date Audit Followed Up</b>	<b>Current Recommendation Status</b>	<b>Further Audit Comments</b>	<b>Target Follow Up Date</b>
PPD 2015-16	The PPD process should be enhanced to ensure that PPD's are updated on a regular basis and that staff involved in the PPD process are appropriately trained.	Sep-15				<b>16-17 q3</b>
Risk Management 2015-16	Refresher training should be provided for staff and members who have an involvement with the risk management framework.	Sep-16				<b>16-17 q3</b>
S106 2014-15	The monitoring process should give consideration to actively identifying completion of properties with the S106 module	Dec-15				<b>16-17 q3</b>
Budgetary Control (15/16)	The budget scheme of delegation should be updated on an annual basis.	Apr-16				<b>16-17 q4</b>
Budgetary Control (15/16)	The council's Financial Procedure Rules should be updated.	Jun-16			New implementation date agreed at May '15 follow-up. Financial procedure rules have been updated but need to be approved by council, this will be done as part of the amendments to the constitution.	<b>16-17 q4</b>
Corporate improvement-fighting fraud checklist for governance 2015-16	Ensure all staff, members and agency workers are aware of the risks of fraud and how it can be reported.	Oct-16				<b>16-17 q4</b>

Audit	Recommendation Details	Expected implementation date for recommendation	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
Playground Inspections 2016/17	The Playground Inspection Plan (PIP) should be updated to reflect current work practices, such as giving consideration to manufacturer specifications within the inspection regime, training/competency and the use of mobile devices. Further reviews of both the risk assessment and the PIP documents should be undertaken on an annual basis	Dec-16				16-17 q4
Playground Inspections 2016/17	Training is provided to the inspecting officers on the approach to risk scoring of findings this will assist in ensuring a consistent approach to scoring is adopted and eliminate the additional check of the scores by property services.	Nov-16				16-17 q4
Treasury Management 2015-16	Where a need to borrow has been identified. Supporting documentation should be retained for approval purposes that identify the various options considered and support the decision made.	Mar-17				16-17 q4
Garden Waste 2015-16	The retention and cleansing of garden waste data should be reviewed for data protection and service delivery purposes and include data checks and cleansing together with a reconciliation between TBC and UBICO data.	Dec-16				17-18 q1
Garden Waste 2015-16	A review of the garden waste subscriptions processes should be undertaken in respect of non-renewal accounts, demonstrating customer agreement to the council's terms of reference, establishing a stock management system and authorising renewal extensions	Dec-16				17-18 q1

Audit	Recommendation Details	Expected implementation date for recommendation	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
ICT PSN Submission 2016-17	The following policies and procedures should be reviewed and updated: 1. Acceptable Use of Council ICT Resources (ICT Policy) 2. Use of ICT resources by Elected Members Code of Practice 3. Information Security Incident Management Operational Policy and Procedure (to be updated and tested as part of the ICT business continuity review) 4. Change Management Policy (to be reviewed against ITIL best practice and enhanced to include specific application periods as required by the PSN)	Nov-16				17-18 q1
ICT PSN Submission 2016-17	The responsibilities of the SIRO role should be defined and approval for the Deputy Chief Executive to undertake this role be formally agreed by CLT.	Nov-16				17-18 q1
Payroll 2015-16	To review the processes in relation to employee rights to holiday leave/pay particularly in light of recent employment tribunal case law	Dec-16				17-18 q1
Tell Us Once 2016/17	The End User Tracker (EUT) should be updated and submitted to DWP to ensure that it is an accurate reflection of the sponsors and agents who process the notifications. Moving forward the EUT should be subject to an annual check by the Sponsor.	Oct-16				17-18 q1
Tell Us Once 2016/17	Consideration should be given to Housing Services, the volunteer litter picking scheme administrator and Area Revenues Officer (Sundry Debts) receiveing Tell Us Once notifications, provided that it is acceptable to share this information under Data Protection.	Jan-17				17-18 q1

Audit	Recommendation Details	Expected implementation date for recommendation	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
Tell Us Once 2016/17	PSN accounts should be requested for the Group Manager Corporate Services and the Communications and Policy Manager, in order to satisfy the requirements of their role as business sponsors for Tell Us Once.	Oct-16				17-18 q1
Tell Us Once 2016/17	In order to ensure that the council is protecting any personal information that it receives and that this is retained appropriately; a review of data management should be carried out to include: 1) Appropriate retention periods- supported by a retention policy 2) The level of information held 3) Identification of appropriate user training and delivery 4) Development of a Privacy Policy The review should take into account any requirements stated within terms of reference with the council's data suppliers.	Mar-17				17-18 q1
Tree Inspections 2016/17	Unadopted land should be reviewed in respect of council ownership and the continued ongoing maintenance of these areas by the council. The outcomes of this review together with any tree safety management policy updates required concerning the new inspection process should be reported to members	Mar-17				17-18 q1
Tree Inspections 2016/17	Tree reporting notifications from members of the public and associated actions carried out should be recorded into the PSS Live system.	Mar-17				17-18 q1

Audit	Recommendation Details	Expected implementation date for recommendation	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
Tree Inspections 2016/17	Controls need to be put in place to ensure that data on the cloud based PSS Live system is secure and complete. In addition, a data extraction procedure should be established to ensure that access to tree data will be available notwithstanding changes to the service provider.	Mar-17				17-18 q1
Tree Inspections 2016/17	Additional training should be provided to the Inspection Officer and the Grounds Maintenance Manager on the use of the handheld device, particularly in relation to the risk scoring and the inspection module	Mar-17				17-18 q1

## TEWKESBURY BOROUGH COUNCIL

<b>Report to:</b>	Audit Committee
<b>Date of Meeting:</b>	21 September 2016
<b>Subject:</b>	Anti-Fraud and Corruption Policy
<b>Report of:</b>	Simon Dix, Finance and Asset Management Group Manager
<b>Corporate Lead:</b>	Rachel North, Deputy Chief Executive
<b>Lead Member:</b>	Councillor D J Waters
<b>Number of Appendices:</b>	One

<p><b>Executive Summary:</b></p> <p>The Counter Fraud and Anti-Corruption Policy has been developed and updated to confirm latest legislation and to reflect the changes brought about by the creation of the Single Fraud Investigation Services (operated by the Department for Work and Pensions) which subsumed the Council's responsibilities for investigating Housing Benefit Fraud.</p> <p>The Policy has been developed in consultation with other Gloucestershire authorities and West Oxfordshire District Council in order to provide a platform for the operation of the counter fraud unit.</p>
<p><b>Recommendation:</b></p> <p><b>To RECOMMEND TO EXECUTIVE COMMITTEE the approval of the updated Anti-Fraud and Corruption Policy.</b></p>
<p><b>Reasons for Recommendation:</b></p> <p>In administering its responsibilities; this Council has a duty to prevent fraud and corruption, whether it is attempted by someone outside or within the Council such as another organisation, a resident, an employee or Councillor. The Council is committed to an effective counter fraud and corruption culture, by promoting high ethical standards and encouraging the prevention and detection of fraudulent activities, thus supporting corporate and community plans.</p>

<p><b>Resource Implications:</b></p> <p>There are no direct financial implications as a result of this report. However, the adoption of this Counter Fraud and Anti-Corruption Policy will help support the prevention and detection of fraud and reduce potential financial loss to the Council.</p>
<p><b>Legal Implications:</b></p> <p>As detailed within the Policy.</p>

**Risk Management Implications:**

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

The Council is required to adopt a Counter Fraud and Anti-Corruption Policy to enable Officers to proactively tackle fraudulent activity against the Council or other public sector bodies.

**Performance Management Follow-up:**

None directly arising from the report.

**Environmental Implications:**

None directly arising from the report.

**1.0 INTRODUCTION/BACKGROUND**

**1.1** The Council's existing Anti-Fraud and Corruption Policy was approved by Executive Committee in May 2013. It is recommended good practice that the Policy is updated at least every three years.

**2.0 UPDATED POLICY**

**2.1** The draft Counter Fraud and Anti-Corruption Policy (Appendix A) has been developed to reflect latest legislation and to reflect the changes from the creation of the Single Fraud Investigation Services (operated by the Department for Work and Pensions) which subsumed the Council's responsibilities for investigating Housing Benefit Fraud.

**2.2** Following the change in responsibility for investigating Housing Benefit Fraud, the Gloucestershire authorities and West Oxfordshire successfully bid for £403,000 from the Department of Communities and Local Government to develop a counter fraud unit on behalf of the organisations. The formation of a regional counter fraud team will be able to utilise data matching to gather intelligence and skilled investigators to help counter all forms of fraud against the Councils and Social Housing Providers in the region.

**2.3** The draft Policy has been developed in consultation with all of the Gloucestershire authorities and West Oxfordshire District Council to provide a platform for the operation of the counter fraud unit. It should also be recognised that the service is a partnership, so coordinating Policy across multiple organisations is critical to the success of the partnership.

**2.4** This Policy highlights the key legislation and the roles and responsibilities of Members, Officers and other parties.

**3.0 CONSULTATION**

**3.1** The Policy has been prepared and drafted by the Audit Cotswolds Counter Fraud Team, which is the lead for the Gloucestershire Counter Fraud project. The Policy has been initially compiled from a review of all policies across the region and current legislation.

**3.2** Following the initial drafting of the Policy, the document was circulated to Section 151 Officers at all partner sites (Gloucestershire Districts and the County Council, plus West Oxfordshire District Council) for review.

3.3 This draft was then presented to the Corporate Governance Group for initial comment.

#### 4.0 RELEVANT COUNCIL POLICIES/STRATEGIES

4.1 Anti-Fraud, Corruption and Bribery Policy approved by Executive Committee in May 2013.

#### 5.0 RELEVANT GOVERNMENT POLICIES

5.1 None.

#### 6.0 RESOURCE IMPLICATIONS (Human/Property)

6.1 As detailed within the Policy.

All Council employees and casual workers will need to be made aware of the changes to the updated Policy.

It will be essential that the Counter Fraud Team and the HR Team work closely together on any issues relating to staff investigations as the Council's Disciplinary Process will need to be followed and the process managed carefully to ensure any criminal investigation is not compromised and that HR Policies are not breached.

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

7.1 None.

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

8.1 None.

#### 9.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

9.1 None.

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**Background Papers:** None.

**Contact Officer:** Emma Cathcart, Audit Cotswolds Tel: 01285 623356

Email: [Emma.Cathcart@cotswold.gov.uk](mailto:Emma.Cathcart@cotswold.gov.uk)

**Appendices:** A – Anti-Fraud and Corruption Policy.



**COTSWOLD**  
DISTRICT COUNCIL



WEST OXFORDSHIRE  
DISTRICT COUNCIL

**Appendix A**

# **Counter Fraud and Anti-Corruption Policy**

**September 2016**

# Counter Fraud and Anti-Corruption Policy

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# Counter Fraud and Anti-Corruption Policy

## 1. INTRODUCTION AND PURPOSE OF THE POLICY

- 1.1. In administering its responsibilities; this Council has a duty to prevent fraud and corruption, whether it is attempted by someone outside or within the Council such as another organisation, a resident, an employee or Councillor. The Council is committed to an effective Counter Fraud and Anti-Corruption culture, by promoting high ethical standards and encouraging the prevention, detection and investigation of fraudulent activities.
- 1.2. The Section 151 Officer has a statutory responsibility under Section 151 of the Local Government Act 1972 to ensure the proper arrangements for the Council's financial affairs to include the development of financial codes of practice and accounting instructions. Through delegation of duties, the Officer ensures appropriate controls are in place.
- 1.3. The Monitoring Officer has a statutory responsibility to advise the Council on the legality of its decisions and to ensure that the Council's actions do not give rise to illegality or maladministration. It is therefore essential for employees to follow the Council's policies and procedures to demonstrate that the Council is acting in an open and transparent manner.
- 1.4. The Council has a statutory duty to undertake an adequate and effective internal audit of its accounting records and its system of internal controls. The Council's Financial Rules state that 'whenever a matter arises which involves, or is thought to involve irregularities concerning cash, stores or other property of the Council, or any suspected irregularity in the exercise of the functions of the Council, the Director or Head of Service has a duty to immediately notify the Section 151 Officer and the Monitoring Officer, who shall take steps as they consider necessary by way of investigation and report'. Furthermore the Financial Rules also state that each Director and Head of Service is responsible for 'notifying the Section 151 Officer and the Head of Internal Audit immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Council's property or resources.
- 1.5. The Council has a zero tolerance approach to fraud committed or attempted by any person against the organisation or any of its partner agencies. The Council will thoroughly investigate all suggestions of fraud, corruption or theft, from within the Council and from external sources which it recognises can:
  - Undermine the standards of public service that the Council is attempting to achieve by diverting resources from legitimate activities.
  - Reduce the level of resources and services available for the residents of the borough, district or county as a whole.
  - Result in consequences which damage public confidence in the Council and / or adversely affect staff morale.

# Counter Fraud and Anti-Corruption Policy

- 1.6. Any proven fraud will be dealt with in a consistent and proportionate manner. Appropriate sanctions and redress for losses will be pursued, to include criminal proceedings against anyone perpetrating, or seeking to perpetrate, fraud, corruption or theft against the Council.
- 1.7. The Council is committed to the highest possible standards of openness, probity, honesty, integrity and accountability. The Council expects all staff, Councillors and partner organisations to observe these standards and values, which are defined within the Code of Conduct for Employees and the Members Code of Conduct, to help achieve the Council's over-arching priority for the continued delivery of outcomes and value for money for local tax-payers.

## 2. DEFINITIONS

- 2.1. **FRAUD:** The term "fraud" is usually used to describe depriving someone of something by deceit, which might either be misuse of funds or other resources, or more complicated crimes like false accounting or the supply of false information. In legal terms, all of these activities are the same crime, theft, examples of which include deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion.
- 2.2. Fraud was introduced as a general offence and is defined within The Fraud Act 2006. The Act details that a person is guilty of fraud if he commits any of the following:
  - Fraud by false representation; that is if a person:
    - (a) dishonestly makes a false representation, and
    - (b) intends, by making the representation:
      - (i) to make a gain for himself or another, or
      - (ii) to cause loss to another or to expose another to a risk of loss.
  - Fraud by failing to disclose information; that is if a person:
    - (a) dishonestly fails to disclose to another person information which he is under a legal duty to disclose, and
    - (b) intends, by failing to disclose the information:
      - (i) to make a gain for himself or another, or
      - (ii) to cause loss to another or to expose another to a risk of loss.
  - Fraud by abuse of position; that is if a person:
    - (a) occupies a position in which he is expected to safeguard, or not to act against, the financial interests of another person,
    - (b) dishonestly abuses that position, and
    - (c) intends, by means of the abuse of that position:
      - (i) to make a gain for himself or another, or
      - (ii) to cause loss to another or to expose another to a risk of loss.
- 2.3. In addition the Act introduced new offences in relation to obtaining services dishonestly, possessing, making, and supplying articles for the use in frauds and fraudulent trading applicable to non-corporate traders.

# Counter Fraud and Anti-Corruption Policy

- 2.4. **CORRUPTION:** Is the deliberate use of one's position for direct or indirect personal gain. "Corruption" covers the offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person to act inappropriately and against the interests of the organisation.
- 2.5. **THEFT:** Is the physical misappropriation of cash or other tangible assets. A person is guilty of "theft" if he or she dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it.
- 2.6. **MONEY LAUNDERING:** Money laundering is the process by which criminals attempt to 'recycle' the proceeds of their criminal activities in order to conceal its origins and ownership whilst retaining use of the funds.
- 2.7. The burden of identifying and reporting acts of money laundering rests within the organisation. Any service that receives money from an external person or body is potentially vulnerable to a money laundering operation. The need for vigilance is vital and any suspicion concerning the appropriateness of a transaction should be reported and advice sought from the Head of Internal Audit. A failure to report a suspicion could compromise an individual and they could be caught by the money laundering provisions. All employees are therefore instructed to be aware of the increasing possibility of receiving requests that are not genuine and are in fact for the purpose of money laundering.
- 2.8. The Council recognises its responsibilities under the Money Laundering Regulations 2007 and the Proceeds of Crime Act 2002. These responsibilities are set out in detail within the Council's Anti-Money Laundering and Proceeds of Crime Policy. The Council's full reporting process is also detailed therein and the designated money laundering reporting officer is identified.
- 2.9. The Council's Legal Team also have their own professional guidance in relation to money laundering which places a duty on Solicitors to report any suspicions. These suspicions may override their legal professional privilege and confidentiality.
- 2.10. **BRIBERY:** The Bribery Act 2010 introduced four main offences, simplified below. Please note, a 'financial' or 'other advantage' may include money, assets, gifts or services within the following:
  - Bribing another person: a person is guilty of an offence if he offers, promises or gives a financial or other advantage to another person. Further if he intends the advantage to induce a person to perform improperly a function or activity or if he knows or believes the acceptance of the advantage offered constitutes improper activity.

# Counter Fraud and Anti-Corruption Policy

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

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

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

## 3. SCOPE

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

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

## 4. AIMS AND OBJECTIVES

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

- Ensure that the Council has measures in place to guard against fraud and loss and that the Council maximises revenue recovery.

# Counter Fraud and Anti-Corruption Policy

- Safeguard the Council's valuable resources by ensuring they are not lost through fraud but are used for providing services to the community as a whole.
- Create a 'counter fraud' culture which highlights the Council's zero tolerance to fraud, corruption, bribery and theft, which defines roles and responsibilities and actively engages everyone (the public, Councillors, staff, managers and policy makers).

## 4.2. The Council aims to:

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

## 5. PRINCIPLES

- 5.1. The Council will not tolerate abuse of its services or resources and has high expectations of propriety, integrity and accountability from all parties identified within this policy. Maintaining this policy supports this vision.
- 5.2. The Council has a documented Constitution, Scheme of Delegated Powers and Financial Regulations to give Councillors and Officers clear instructions or guidance for carrying out the Council's functions and responsibilities. Responsibility for ensuring compliance with these documents rests with management with adherence being periodically monitored by Internal Audit Services; where breaches are identified these will be investigated in accordance with this policy and the Council's Financial Rules.
- 5.3. The Council expects that Councillors and Officers will lead by example in ensuring adherence to rules, procedures and recommended practices. A culture will be maintained that is conducive to ensuring probity. Councillors and Officers should adopt the standards in public life as set out by the Nolan Committee, known as the Nolan Principles:
  - Selflessness – to take decisions solely in terms of the public interest and not in order to gain for themselves.
  - Integrity – not to place themselves under any obligation to outside individuals or organisations that may influence the undertaking of their official duties.
  - Objectivity – when carrying out any aspect of their public duties, to make decisions and choices on merit.
  - Accountability – to be accountable, to the public, for their decisions and actions and must submit themselves to the appropriate scrutiny.
  - Openness – to be as open as possible about the decisions and actions they take and the reasons for those decisions and actions. The dissemination of information should only be restricted when the wider public interest clearly demands it.

# Counter Fraud and Anti-Corruption Policy

- Honesty – to declare any private interests which relate to their public duties and take steps to resolve any conflicts arising in a manner which protects the public interest.
- Leadership – to promote and support these principles by leadership and example.

- 5.4. The Council will ensure that the resources dedicated to counter fraud activity are appropriate and any officers involved in delivering these services are trained to deliver a professional counter fraud service to the correct standards ensuring consistency, fairness and objectivity.
- 5.5. All fraudulent activity is unacceptable, and may result in consideration of legal action being taken against the individual(s) concerned. In addition, the Council has in place disciplinary procedures which must be followed whenever staff members are suspected of committing a fraudulent or corrupt act. These procedures are monitored and managed by the Human Resources Team and may be utilised where the outcome of an investigation indicates fraudulent or corrupt acts have occurred.
- 5.6. The Council may pursue the repayment of any financial gain from individuals involved in fraud, malpractice and wrongdoing. The Council may also pursue compensation for any costs it has incurred when investigating fraudulent or corrupt acts.
- 5.7. This policy encourages those detailed within this document to report any genuine suspicions of fraudulent activity. However, malicious allegations or those motivated by personal gain will not be tolerated and, if proven, disciplinary or legal action may be taken. Reporting arrangements in relation to incidents of fraud or irregularity are detailed below.
- 5.8. The Council will work both internally across different departments and with external organisations such as the Police, HM Revenue and Customs and other Councils to strengthen and continuously improve its arrangements to prevent fraud and corruption.
- 5.9. The Council collects and stores data within multiple departments to enable data cleansing, data sharing and data matching. This process can be utilised for the prevention and detection of fraud and the Council will pursue this where appropriate. The Council applies fair processing practices and these are reflected within data collection documents, stationery and other data collection processes such as those required for the National Fraud Initiative.

## 6. RESPONSIBILITIES

OFFICER / DEPARTMENT	SPECIFIC RESPONSIBILITIES
Head of Paid Service	Ultimately accountable for the effectiveness of the Council's arrangements for countering fraud and corruption.

## Counter Fraud and Anti-Corruption Policy

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

# Counter Fraud and Anti-Corruption Policy

	<p>To ensure that all suspected or reported irregularities are dealt with promptly and in accordance with this policy.</p> <p>That action is identified to improve controls and reduce means, opportunity and the risk of recurrence.</p> <p>Reporting to the appropriate Senior Officer(s) (Section 151 Officer and Monitoring Officer) with regard to the progress and results of investigations.</p> <p>Reporting annually to the Audit Committee on proven frauds.</p>
<p><b>Counter Fraud Services</b></p>	<p>To proactively deter, prevent and detect fraud, corruption, bribery and theft within or against the Council.</p> <p>To investigate all suspicions of fraud, corruption, bribery or theft, within or against the Council, in accordance with the Criminal Procedures and Investigations Act 1996 (CPIA).</p> <p>To consider reputational damage and the public interest test when investigating any instances of fraud, corruption, bribery or theft.</p> <p>To conduct interviews under caution when appropriate in accordance with the Police and Criminal Evidence Act 1984 (PACE).</p> <p>To undertake any surveillance operation or obtaining any communications data, adhering to the Regulation of Investigatory Powers Act 2000 (RIPA) – this is applicable when undertaking criminal investigations only.</p> <p>To comply with the Data Protection Act 1998 when obtaining or processing personal data.</p> <p>To report to the appropriate Senior Officer(s) for decisions in relation to further action.</p>

## Counter Fraud and Anti-Corruption Policy

	<p>To enable the Council to apply appropriate sanctions, to include criminal proceedings, and to assist in the recovery of losses in accordance with the Council's Prosecution Policy.</p> <p>To prepare Witness Statements and prosecution paperwork for the Council's Legal Department.</p> <p>To attend and present evidence in the Magistrates Court, the Crown Court and Employment Tribunals.</p> <p>To provide recommendations to inform policy, system and control improvements.</p> <p>To provide fraud awareness training and updates for Councillors and staff.</p> <p>To publicise successes where appropriate.</p>
<p><b>Human Resources</b></p>	<p>To report any suspicions of fraud, corruption, bribery or theft to the Section 151 Officer, Monitoring Officer and Head of Internal Audit if reported directly to HR or if identified during any disciplinary or internal procedures.</p> <p>To ensure recruitment procedures provide for the obtainment and verification of significant information supplied by applicants.</p>
<p><b>Strategic Directors, Heads of Service, and Service Managers</b></p>	<p>The primary responsibility for maintaining sound arrangements to prevent and detect fraud and corruption rests with management.</p> <p>To promote staff awareness and ensure that all suspected or reported irregularities are immediately referred to the appropriate Senior Officer.</p>

# Counter Fraud and Anti-Corruption Policy

	<p>To ensure that there are mechanisms in place within their service areas to assess the risk of fraud, corruption, bribery and theft. To reduce these risks by implementing internal controls, monitoring of these controls by spot checks and to rectify weaknesses if they occur.</p>
<b>Staff</b>	<p>To comply with Council policies and procedures when conducting their public duties.</p> <p>To be aware of the possibility of fraud, corruption, bribery and theft and to report any genuine concerns. Staff may report suspicions as detailed below.</p> <p>Referrals can also be made in confidence in accordance with the Council’s Whistleblowing Policy.</p>
<b>Public, Partners, Suppliers, Contractors and Consultants</b>	<p>To be aware of the possibility of fraud and corruption within or against the Council and to report any genuine concerns or suspicions as detailed below.</p>

## 7. APPROACH TO COUNTERING FRAUD

- 7.1. The Council has a responsibility to reduce fraud and protect its resources by enabling counter fraud services to complete work in each of the following key areas:
- 7.2. **DETERRENCE:** The best deterrent is the existence of clear procedures and responsibilities making fraud and corruption difficult to perpetrate and easy to detect. As detailed already within this policy, the Council has a number of measures in place to minimise risk:
  - Clear codes of conduct for Officers and Members.
  - Register for declarations of interest / gifts and hospitality for Members and Officers.
  - Clear roles and responsibilities for the prevention and detection of fraud, corruption, bribery and theft including an Audit Committee, an appointed Monitoring Officer, Section 151 Officer and trained counter fraud staff.
  - Effective ICT security standards and usage policies.
  - The application of appropriate sanctions and fines as detailed below.

## Counter Fraud and Anti-Corruption Policy

- 7.3. The existence of an effective Internal Audit Team is a prime deterrent for fraud and corruption. The Internal Audit Team analyse and identify potential areas at risk of fraudulent abuse with the assistance of the Council's Corporate team, efficient and effective audits of principal risk areas can then be conducted.
- 7.4. The Council will promote and develop a strong counter fraud culture, raise awareness and provide information on all aspects of its counter fraud work. This may include advice on the intranet, fraud e-learning tools, publicising the results of proactive work, investigating fraud referrals and seeking the recovery of any losses.
- 7.5. **PREVENTION:** The Council will strengthen measures to prevent fraud. Internal Audit will work with management and policy makers to ensure new and existing systems, procedures and policy initiatives consider any possible fraud risks. Any audit conducted will also consider fraud risks as part of each review and ensure that internal controls are in place and maintained to combat this.
- 7.6. Important preventative measures include effective recruitment to establish the propriety and integrity of all potential employees. Recruitment is carried out in accordance with the Council's Recruitment and Selection Policy and provides for the obtainment and verification of significant information supplied by applicants.
- 7.7. The Council will undertake any internal remedial measures identified by any investigation to prevent future recurrence at the first opportunity.
- 7.8. **DETECTION:** A record of fraud referrals received will be maintained by Internal Audit (and other departments as applicable). This record helps to establish those areas within the Council most vulnerable to the risk of fraud. In addition, a consistent treatment of information and independent investigation is ensured. A Council wide fraud profile is created which then informs any detailed proactive work.
- 7.9. Internal Audit leads in the National Fraud Initiative (NFI) for the Council. The Council is legislatively required to participate in a national data matching exercise. Particular sets of data are provided and matched against other records held by the Council or external organisations. Where a 'match' is found it may indicate an irregularity which requires further investigation to establish whether fraud has been committed or an error made. An officer in the Internal Audit team is designated as the 'Key Contact' for this process. The initiative also assists in highlighting areas which require more proactive investigation. The Council may engage in other data matching/sharing for the purposes of fraud prevention and detection, and for the recovery of monies owed.
- 7.10. Safeguarding and deterrent internal controls and monitoring procedures are established for financial and other systems within the Council, for example those set out within the Council's Financial Rules / Contract Rules.
- 7.11. The Council relies on employees, Councillors and the public to be alert and to report any suspicions of fraud and corruption which may have been committed or that are allegedly in progress. Managers should be vigilant and refer any matters which may require additional monitoring to the Head of Internal Audit.

## Counter Fraud and Anti-Corruption Policy

- 7.12. **INVESTIGATION:** The Council will investigate all reported incidents of fraud or irregularity using its counter fraud resources. The Council will ensure the correct gathering and presentation of evidence in accordance with the Criminal Procedures and Investigations Act 1996.
- 7.13. Investigations will make due reference to Employment Law as necessary and be conducted within a reasonable time in accordance with the Human Rights Act 1998. Investigations will also adhere to and comply with other applicable legislation such as the Police and Criminal Evidence Act 1984, Data Protection Act 1998 and the Freedom of Information Act 2000 as appropriate.
- 7.14. Officers may utilise investigative tools and gain intelligence utilising a number of legal gateways and data sharing agreements. This may include membership to third party organisations such as the National Anti Fraud Network (NAFN).
- 7.15. When investigating allegations of fraud and corruption, the Council may be required to conduct surveillance. The Council must comply with the Regulation of Investigatory Powers Act 2000 which ensures that investigatory powers are used in accordance with human rights. To ensure compliance the Council has a written procedure detailing who may authorise covert surveillance and the use of covert human intelligence sources. Standard documentation has been adopted which must be used by an Officer when seeking such authorisation.
- 7.16. Officers may also need to acquire intrusive and sensitive communications data when conducting an investigation. This is permissible however; the Council must adhere to the Regulation of Investigatory Powers Act 2000 when applying for this information and the correct nominated single point of contact must be used. As above, specific details are set out within the RIPA written procedure.
- 7.17. Further information in relation to the use of the above and protocol for Officers when investigating irregularities is set out within the Council's Counter Fraud and Anti-Corruption Investigation Procedures and Guidelines. These include the need to:
- Deal promptly with the matter.
  - Record all evidence received.
  - Ensure that evidence is sound and adequately supported.
  - Conduct interviews under caution when necessary.
  - Ensure security of all evidence collected.
  - Contact other agencies if necessary e.g. Police, Trading Standards, HM Revenue and Customs.
  - Notify the Council's insurers.
  - Implement Council disciplinary procedures where appropriate.
  - Attend court and present evidence.

# Counter Fraud and Anti-Corruption Policy

- 7.18. **SANCTIONS:** The Council will apply considered sanctions to individuals or organisations where an investigation reveals fraudulent activity. This may include:
- Appropriate disciplinary action in line with the Disciplinary Policy.
  - Fines and penalties.
  - Criminal proceedings.
  - Civil proceedings to recover loss.
- 7.19. **REDRESS:** A crucial element of the Council's response to tackling fraud is seeking financial redress. The recovery of defrauded monies is an important part of the Council's strategy and will be pursued in line with internal debt recovery processes and legal redress i.e. Confiscation Orders and the application of the Proceeds of Crime Act 2002.
- 7.20. **CONTROL FAILURE RESOLUTION:** In addition to the above, Internal Audit also prepares a risk based annual Audit Plan that details the key objectives and areas of work for the year. Within these work areas indicators for fraud are considered. Internal Audit will also respond to requests from management where there may be concerns over the effectiveness of internal controls. The work plan is agreed and monitored by the Audit Committee and Section 151 Officer.

## 8. REPORTING, ADVICE AND SUPPORT

- 8.1. The Council's expectation is that Councillors and managers will lead by example and that employees at all levels will comply with the Constitution, Council Policies, Financial Regulations, Procurement Regulations, Financial and Contract Procedure Rules, codes of conduct and directorate procedures.
- 8.2. The Council recognises that the primary responsibility for the prevention and detection of fraud rests with management. It is essential that employees of the Council report any irregularities, or suspected irregularities to their Line Manager and if this is not appropriate then to the Head of Internal Audit.
- 8.3. The Council must create the right environment so that anyone can raise concerns in respect of irregularities with the knowledge that they will be treated seriously and confidentially. The Council will provide all reasonable protection for those who raise genuine concerns in good faith, as confirmed in the Council's Whistleblowing Policy.
- 8.4. If the informant is a member of the public or external contractor, they can contact the Internal Audit Team at the Council to report the suspicion. This can be done anonymously. A hotline number for reporting suspicions may also be established and if so, can be found on the Council's website. The Council's complaint procedure may also be utilised but may not be the most appropriate channel.
- 8.5. The above process does not relate to reporting Housing Benefit Fraud allegations (which are now dealt with by the Department for Work and Pensions) or to Council Tax Reduction Scheme offences. The informant should contact the Officer nominated to deal with this; details can be found on the Council's website within the Revenues and Benefit Section information.

## Counter Fraud and Anti-Corruption Policy

- 8.6. The Officer who receives the allegation (whether from a Councillor or a Council employee) must refer the matter to the Head of Internal Audit and/or the Counter Fraud Officer within Internal Audit, to determine how the potential irregularity will be investigated and to whom the allegation should be discussed within the Council. This is to ensure correct investigative procedures are adhered to and that any potential fraud enquiry is not compromised.
- 8.7. As appropriate, reports will be issued to the Monitoring Officer, Head of Paid Service, Section 151 Officer, Senior Officers, and Executive Members etc. where the irregularity is material and/or could affect the reputation of the Council. Decisions will then be made with regard to the most appropriate course of action. Communications and publicity will also be managed if the matter is likely to be communicated externally.
- 8.8. If the investigation relates to an employee then Human Resources will be engaged and the Council's Disciplinary Procedure will also be considered however this will be managed carefully to ensure any criminal investigation is not compromised.
- 8.9. The Council's Counter Fraud and Anti-Corruption Investigation Procedures and Guidelines provide further detail about reporting.
- 8.10. The Council will also work in co-operation with the following bodies (and others as appropriate) that will assist in scrutinising our systems and defences against fraud, bribery and corruption:
- Local Government Ombudsman.
  - External Audit.
  - The National Fraud Initiative.
  - Central Government Departments.
  - HM Revenue and Customs.
  - The Police.
  - Trading Standards.
  - The Department for Work and Pensions.
  - Immigration Services.
  - The Chartered Institute of Public Finance and Accountancy (CIPFA).
  - The Institute of Revenues Rating and Valuation (IRRV).
- 8.11. As detailed within this document and the Council's Whistleblowing Policy, any concerns or suspicions reported will be treated with discretion and in confidence. Key contacts include:

Section 151 Officer – <i>Simon Dix 01684 272005</i>	Write to: Counter Fraud Services c/o Revenues & Benefits Council Offices
Monitoring Officer - <i>Sara Freckleton 01684 272011</i>	
Head of Internal Audit - <i>Graeme Simpson 01684 272002</i>	
Counter Fraud Officer – <i>Simon Holmes 01684 272135</i>	

# Counter Fraud and Anti-Corruption Policy

## 9. FURTHER INFORMATION

- 9.1. Further information on Council policy can be found in the following documents (or equivalent documentation / codes) :
- The Constitution.
  - Code of Conduct for Employees and the Members Code of Conduct which include information in relation to gifts and hospitality and declaring and registering interests.
  - Whistleblowing Policy.
  - Prosecution Policy.
  - Anti-Money Laundering and Proceeds of Crime Policy.
  - Recruitment and Selection Policy.
  - RIPA Procedure and Guidance.
  - Counter Fraud and Anti-Corruption Investigation Procedures and Guidelines.
  - Financial Rules.
  - Contract Rules or equivalent.
  - Fair Processing Statement.
  - Disciplinary Procedure.

## 10. STRATEGY AND POLICY REVIEW

- 10.1. The appropriate department will review and amend this strategy as necessary to ensure that it continues to remain compliant and meets legislative requirements and the vision of the Council.
- 10.2. Responsible Department: Counter Fraud Unit  
Date: September 2016.  
Review frequency as required by legislative changes / every three years.

## TEWKESBURY BOROUGH COUNCIL

<b>Report to:</b>	Audit Committee
<b>Date of Meeting:</b>	21 September 2016
<b>Subject:</b>	Whistleblowing Policy
<b>Report of:</b>	Graeme Simpson, Corporate Services Group Manager
<b>Corporate Lead:</b>	Mike Dawson, Chief Executive
<b>Lead Member:</b>	Councillor Mrs E J MacTiernan
<b>Number of Appendices:</b>	One

**Executive Summary:**

The Counter Fraud Unit was asked to review this policy on behalf of Tewkesbury Borough Council.

The draft Policy has been developed in consultation with the Counter Fraud Unit, as part of the counter fraud provision, and with the four authorities in the GO Shared Service partnership (GOSS); Cheltenham Borough Council, Cotswold District Council, West Oxfordshire District Council and Forest of Dean District Council.

The policy has been updated to reflect legislative requirements and employer responsibilities to ensure that the Council protects staff who report or whistle-blow about any areas of concern within the authority and to safeguard those against whom allegations are made.

**Recommendation:**

**To RECOMMEND TO EXECUTIVE COMMITTEE the approval of the updated Whistleblowing Policy, subject to any minor amendments as a result of consultation with the GO Shared Service partnership (GOSS).**

**Reasons for Recommendation:**

The Whistleblowing Policy is a governance policy and has been redrafted with the assistance of the Counter Fraud Unit because referrals relating to wrong-doing form a significant role within the counter fraud service.

As the governance committee for counter fraud activity, the Audit Committee is asked to review and approve the policy. This is a complete redraft and Audit Committee will need to recommend the policy go to the Executive Committee for approval due to the significant revisions.

It should also be recognised that the counter fraud service provision is a partnership, so co-ordinating policy across multiple organisations is critical to the success of the partnership.

This policy highlights the key legislation and the roles and responsibilities of Members, Officers and other parties.

**Resource Implications:**

There are no direct financial implications as a result of this report. However, the adoption of this Whistleblowing Policy will help support the prevention and detection of fraud and reduce potential financial loss to the Council.

**Legal Implications:**

Whistleblowing is subject to The Public Interest Disclosure Act 1998 which came into force on 2nd July 1999 and has been amended by the Enterprise and Regulatory Reform Act 2013. The Whistleblowing Policy is set out to ensure it complies and follows the Legislation. It enables those protected e.g. if you are a worker, employee, office worker, a trainee, an agency worker, to make a protected disclosure.

Any breach of the Policy or revealing the identity of someone that has made an anonymous disclosure could result in litigation action against the Council and a significant fine.

**Risk Management Implications:**

If the Council does not have effective Whistleblowing Policy it puts staff members and its reputation at risk. The authority must fulfil its legal obligations in relation to whistleblowing arrangements. Without an appropriate policy in place the Council are unable to take effective and efficient measures to ensure staff are protected when making allegations of wrongdoing and that staff are protected from vexatious allegations.

**Performance Management Follow-up:**

The Counter Fraud Unit will review and amend this policy as necessary, in conjunction with Tewkesbury Borough Council and the four authorities within the GOSS partnership, as necessary to ensure that it continues to remain compliant.

**Environmental Implications:**

None.

**1.0 INTRODUCTION/BACKGROUND**

- 1.1 The Council's Whistleblowing Policy was reviewed by officers in One Legal, the Human Resources section and the Counter Fraud Unit. The Counter Fraud Unit is undertaking a review of a number of policies and procedures to enable data matching and criminal investigations to be legally undertaken and in support of each service area.
- 1.2 All referrals received by the Counter Fraud Unit must be dealt with in the correct manner adhering to regulations, legislation and guidance. This includes internal alerts of wrongdoing which must adhere to whistleblowing legislation.
- 1.3 As such the Counter Fraud Unit was asked to review Tewkesbury Borough Council's revised policy. It has also been involved in reviewing the four separate policies within the GOSS partnership. The aim was to redraft a best practice policy for all, to facilitate continuity amongst Tewkesbury Borough Council and the GOSS partnership.
- 1.4 The policy has been initially compiled from a review of our policy and all policies across the region and current legislation.

## **2.0 WHISTLE-BLOWING POLICY**

**2.1** If an individual is considering raising a concern the policy will enable them to understand the type of issues which can be raised, how the person raising a concern will be protected from victimisation and harassment, how to raise a concern and what the Council will do as a consequence of the report.

**2.2** In administering its responsibilities this Council has a duty to protect staff members who choose to alert the authority to wrong doing and to protect employees against whom vexatious allegations are made.

**2.3** The Council has a responsibility to prevent wrong doing within the authority by promoting high ethical standards and encouraging the exposure of any abuse, thus supporting corporate and community plans.

## **3.0 OTHER OPTIONS CONSIDERED**

**3.1** None.

## **4.0 CONSULTATION**

**4.1** The policy has been compiled from a review of all the policies across the region and current legislation by the Counter Fraud Team. Following the initial drafting of the policy, the document is now being circulated to Cotswold District Council, West Oxfordshire District Council, Cheltenham Borough Council and the Forest of Dean District Council. Due to the nature of the policy the Trade Unions are currently being consulted.

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

**5.1** Anti-Fraud, Corruption and Bribery Policy, the Anti-Bullying and Harassment Policy, Disciplinary and Grievance Procedures, the Constitution, Code of Conduct for Employees and the Members Code of Conduct, RIPA Procedure and Guidance, Financial Rules and Contract Rules.

## **6.0 RELEVANT GOVERNMENT POLICIES**

**6.1** Whistleblowing is embedded in the Employment Rights Act 1966 (as amended by the Public Interest Disclosure Act 1998). This legislates that an employee has the right to take a case to an employment tribunal if they have been victimised at work or lost their job as a consequence of "blowing the whistle."

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

**7.1** It will be essential that the Counter Fraud Team and the HR Team work closely together on any issues relating to staff investigations as the Council's Disciplinary Process will need to be followed and the process managed carefully to ensure any criminal investigation is not compromised and that HR Policies are not breached.

Managers should ensure that all staff, including agency staff, consultants and contractors etc. are aware of and follow Council Policies and Procedures.

There are no property implications associated with this report.

## **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 Counter Fraud Team Leader has ensured that the Whistleblowing Policy draft reflected appropriate ethical considerations and human rights.

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

**10.1** None.

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**Background Papers:** None.

**Contact Officer:** Janet Martin, HR Manager. Tel: 01684 272030.  
Email: [janet.martin@teWKesbury.gov.uk](mailto:janet.martin@teWKesbury.gov.uk) or,

Iona Mosely, Chartered Legal Executive. Tel: 01684 272067.  
Email: [iona.mosely@teWKesbury.gov.uk](mailto:iona.mosely@teWKesbury.gov.uk)

**Appendices:** 1. Whistleblowing Policy.



Appendix 1

# Whistle –Blowing Policy

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# Whistle-Blowing Policy

## 1. INTRODUCTION AND PURPOSE OF THE POLICY

- 1.1. Employees are often the first to realise that there may be something of concern occurring within the Council. Usually any issues can be resolved swiftly and satisfactorily. However, when these concerns relate to more serious matters, staff may be discouraged from expressing their concerns or 'whistle-blowing'.
- 1.2. Whistle-blowing is the term used when an employee passes on information concerning wrongdoing. This can also be called 'making a disclosure' or 'blowing the whistle'. Typically (although, not always) the wrongdoing will be something that the employee has witnessed at work.
- 1.3. Employees may feel disloyal and may fear victimisation or harassment. In such circumstances, it may be easier to ignore the concern rather than report what may just be a suspicion of malpractice. However, any person raising a concern is protected in law.
- 1.4. Whistle-blowing law is embedded in the Employment Rights Act 1996 (as amended by the Public Interest Disclosure Act 1998). This legislates that an employee has the right to take a case to an employment tribunal if they have been victimised at work or lost their job as a consequence of 'blowing the whistle'.
- 1.5. To be covered by this law, an employee who makes a disclosure must reasonably believe two things:
  - That they are acting in the public interest - therefore personal grievances and complaints are not ordinarily covered by whistle-blowing law.
  - That the disclosure of information indicates past, present or future wrongdoing within the following categories:
    - (a) criminal offences which may include financial impropriety such as fraud.
    - (b) failure to comply with legal obligations.
    - (c) miscarriages of justice.
    - (d) endangering another person's health and safety.
    - (e) damage to the environment.
    - (f) covering up any wrongdoing in any of the above.
- 1.6. Employees are not prevented from making disclosures in the public interest by 'gagging clauses' in settlement or compromise agreements.
- 1.7. The Council is now part of various shared service arrangements and it is important that there is clear guidance for anyone wishing to raise an issue. This policy applies to all employees of the Council, and to individuals working within the organisation who are not employees (e.g. contractors, agency staff, volunteers, Members, staff of associated employers etc.)

# Whistle-Blowing Policy

- 1.8. The Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment we wish to encourage employees and others with serious concerns about any aspect of the Council's work to come forward and voice them without fear of reprisal.
- 1.9. This policy is intended to encourage and enable employees to make disclosures at an early stage, rather than waiting. Individuals are also encouraged to raise any issues internally with the Council first rather than raising it outside of the organisation. If issues are raised externally in the first instance you may weaken the protection given to you under the Public Interest Disclosure Act 1998.
- 1.10. This policy also seeks to ensure concerns are raised in the right way and seeks to protect those staff members, against whom complaints are made, from malicious allegations. The Council has a duty to investigate all reports of irregularity. This does not mean that the organisation supports the allegation.
- 1.11. This policy should be read if you are considering raising a concern to provide clarification in relation to the following:
  - The type of issues which can be raised.
  - How the person raising a concern will be protected from victimisation and harassment.
  - How to raise a concern.
  - What the Council will do as a consequence of the report.
- 1.12. This policy has been agreed with any relevant trade unions or non-union representatives.

## **2. AIMS AND SCOPE OF THE POLICY**

- 2.1. This policy aims to:
  - Encourage staff to raise serious concerns at the earliest opportunity and to question and act upon concerns about practice.
  - Encourage employees to be watchful for illegal or unethical conduct and report anything of that nature that they become aware of. Everyone should be aware of the importance of preventing and eliminating wrongdoing at work.
  - Ensure all reported allegations are treated in absolute confidence, with every effort made by the Council not to reveal a whistle-blower's identity if they so wish. However, it may be necessary for the whistle-blower to become an identified witness at an appropriate time, particularly if it has not been possible to substantiate the allegation by other means. The implications of this and the appropriate support/protection arrangements will be discussed with the whistle-blower. This is detailed at Part 3; Employee Safeguards and Assurances.
  - Ensure all reported allegations are treated fairly, ethically and consistently.
  - Provide a robust procedure and ensure any matter raised under this procedure will be investigated thoroughly, promptly and confidentially, and the

# Whistle-Blowing Policy

outcome of the investigation reported back to the employee who raised the issue, as appropriate.

- Provide reassurance for those acting in good faith that they will be protected from possible reprisals or victimisation. This means that the continued employment and opportunities for future promotion or training of the employee will not be prejudiced because he or she has raised a legitimate concern. Victimisation of an employee for raising a qualified disclosure is a disciplinary offence.
- If misconduct is discovered as a result of any investigation under this procedure, the Council's disciplinary procedure will be used, in addition to any other appropriate measures. This could include internal criminal investigation and appropriate further action.
- Allow whistle-blowing individuals to raise concerns and proceed further if they are dissatisfied with the Council's response. It should be recognised that certain cases will have to proceed on a confidential basis and that feedback will be limited due to legal constraints.

- 2.2. This policy is not a substitute for the Council's other policies and procedures on such matters as personal grievances, bullying and harassment, health and safety, safeguarding issues (children and/or adults) or complaints. It should also not be used to raise matters relating to an employee's own terms and conditions of service.
- 2.3. There are existing procedures in place to enable employees to lodge a personal grievance relating to their own employment. This process does not form part of this policy. For further guidance on whistle-blowing and grievances, employees can contact the Advisory, Conciliation and Arbitration Service (ACAS) at [www.acas.org.uk/grievances](http://www.acas.org.uk/grievances).
- 2.4. If a member of the public has a concern about any service they have been provided by the Council then this should be raised as a complaint. There are existing procedures in place which relate to this. However, if that concern relates to malpractice by a member of staff, then they should be directed to the Head of Human Resources at the earliest opportunity.
- 2.5. If a member of the public has concerns relating to malpractice by a Councillor, then they should be directed to the Monitoring Officer at the earliest opportunity.
- 2.6. Making malicious, vexatious or false allegations will not be tolerated and is a disciplinary offence. If a person makes an allegation in good faith and reasonably believes it to be true, but it is not confirmed by the investigation, the Council will recognise your concern. However, if a person makes an allegation frivolously, maliciously or for personal gain, appropriate action, which could include disciplinary proceedings, may be taken.
- 2.7. An instruction to cover up wrongdoing is itself a disciplinary offence. If told not to raise or pursue any concern, even by a person in authority such as a manager, employees should not agree to remain silent. They should report the matter to a chief officer.

# Whistle-Blowing Policy

- 2.8. This policy and procedure is primarily for issues where the interests of others or of the organisation itself are risk. That issue may be one of the following (although this list is not exhaustive). The following are examples of concerns that might be raised:
- Financial irregularities including fraud, corruption or unauthorised use of public funds or other assets.
  - Conduct which is against the law, a miscarriage of justice or a failure to meet a legal obligation.
  - Failure to observe health and safety regulations, or actions which involve risks to the public or other employees.
  - Damage to the environment.
  - A criminal offence being committed.
  - Claiming benefits and/or expenses to which there is no entitlement.
  - The conduct of contractors and/or suppliers to the council.
  - Sexual, racial, disability or other discrimination.
  - Neglect or abuse; physical or verbal.
  - Any other unethical conduct, malpractice, negligent or unprofessional behaviour.
  - Discriminatory acts not specifically covered by other procedures.
  - Concealment of any of the above.

## 3. EMPLOYEE SAFEGUARDS AND ASSURANCES

### 3.1. Harassment or Victimisation

3.2. The Council recognises that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for the malpractice.

3.3. The Council will not tolerate harassment or victimisation in any form of anyone raising a legitimate concern. Any employee who attempts at any stage to apply any retribution or detriment to a whistle-blower will face serious disciplinary charges.

3.4. The Council will support and protect whistle-blowers who raise an issue in line with this policy, in accordance with the safeguards contained in the Public Interest Disclosure Act 1998. This legislation protects everyone from victimisation and dismissal when speaking out against corruption or malpractice at work.

3.5. Protection does not mean that if an employee is already the subject of disciplinary action or redundancy procedures that those procedures would cease or be suspended as a result of their whistle-blowing.

3.6. It may be that the employee making the report is (or was) directly involved in the action now being raised. In such circumstances it is in the employee's own interest to come forward as soon as possible. The Council cannot promise not to act against such an employee but the fact that they came forward may be taken into account.

# Whistle-Blowing Policy

## 3.7. Confidentiality and Anonymity

- 3.8. All reports will be treated in the strictest of confidence and every effort will be made to protect, and not disclose, the identity of an informant if that is their wish. However, if disciplinary or other proceedings are an option as a result of the investigation it may not be possible to take any action without further assistance, in which case the informant may be asked to become an identified witness and provide a witness statement. It is possible that the identity of the informant will become obvious during the investigation. In addition there is a risk that some colleagues may speculate about the source of the original complaint.
- 3.9. The law does not compel an organisation to protect the confidentiality of a whistle-blower. However, it is considered best practice to do so unless required by law to disclose it.
- 3.10. The subject of the allegations cannot exercise their normal Subject Access Rights under the Data Protection Act 1998 in seeking disclosure of the source of the allegations thus protecting the informant's identity.
- 3.11. Under the Freedom of Information Act 2000 there are clear examples of mitigation against disclosure; in particular information given in confidence cannot be released under such requests.
- 3.12. At all times the informant will receive full support from the Council. There will be a limited number of people aware of the investigation at any one time but there will always be a representative from Human Resources involved in the process.
- 3.13. This policy encourages a whistle-blower to put their name to an allegation. If you do not reveal your identity then you will not receive a response or feedback. It may also make the task of investigating the allegation and protecting the whistle-blower more difficult.
- 3.14. Concerns can of course be raised anonymously but are much less powerful. They can be considered at the discretion of the Council. In exercising this discretion the factors taken into account would include:
- The seriousness of the allegation.
  - The credibility of the concern.
  - The likelihood of confirming the allegation from other sources.

## 4. PROCEDURE

### 4.1. Raising a concern as an employee

- 4.2. The initial point of contact will depend on the seriousness and sensitivity of the issues involved and who is suspected of wrongdoing. Issues should normally be raised with the Head of Human Resources. A decision can then be made in relation to how the matter will be dealt with and who should be informed.

# Whistle-Blowing Policy

- 4.3. Alternatively an employee can speak to their own manager, or someone they feel comfortable talking to. A third party may also attend any meetings for moral support. A whistle-blower may also wish to take advice from, or invite, a trade union or professional association to raise a matter on their behalf. Meetings may be held away from the workplace if necessary.
- 4.4. **Raising a concern as an elected Member**
- 4.5. If an elected Member has any concerns about the Council's work, they should raise the matter directly with the Head of Democratic Services, the Head of Paid Service or the Monitoring Officer. In the case of financial irregularity, disclosure may be made to the Chief Finance Officer.
- 4.6. **Raising a concern as a third party contractor, agency staff etc.**
- 4.7. Concerns should be raised with the Head of Human Resources, the Head of Paid Service or the Monitoring Officer. In the case of financial irregularity, disclosure may be made to the Chief Finance Officer.
- 4.8. There are a number of prescribed bodies and organisations who may be contacted if there is a reason not to raise the matter internally. Please see the attachment appended to this policy – Department for Business Innovation and Skills 'Blowing the Whistle to a prescribed person' June 2015. This provides a comprehensive list with contact details therein. The Council would not ordinarily expect a whistle-blower to make disclosures to the media prior to raising the matter internally. If a person does approach the media with their concerns, the informant should expect in most cases to lose their whistle-blowing law rights.
- 4.9. **Process**
- 4.10. Concerns may be raised by telephone, in person or in writing. The earlier the matter is raised, the easier it is to take action. A whistle-blower is asked to provide the nature of the concern and why they believe it to be true, background details giving names, dates and places where possible. An informant may be asked if they have any personal interest in the matter.
- 4.11. When raising an issue or making an allegation it is important that it is made clear that an informant is doing so as a whistle-blower to ensure they are dealt with correctly.
- 4.12. Although it is not expected that a person prove beyond doubt that the allegation is correct, it will need to be demonstrated that the allegation has been made in good faith and there are reasonable grounds for concern.
- 4.13. An informant should:
- Remain calm and not be flustered where possible.
  - Make a note of the facts as soon as it is feasible to do so.
  - Be specific with dates, times, locations, names etc.
  - Deal with the matter promptly.
  - Contact someone with the appropriate authority to deal with the matter.

# Whistle-Blowing Policy

4.14. An informant should not:

- Be reticent because they fear they are wrong.
- Approach, alert or confront individuals directly themselves.
- Investigate personally – there are important rules of evidence which must be adhered to.
- Consult or discuss the matter with anyone other than those with the correct authority.
- Do nothing or leave it to someone else to report.

4.15. If approached by someone wishing to whistle-blow, a person should take full details and contact The Head of Human Resources to discuss the matter. It is imperative that employees do not undertake any kind of investigation or intelligence gathering exercise which could compromise the evidence.

4.16. It may be necessary for The Head of Human Resources (or other appropriate Officer) to take a preliminary statement to gather more information to entirely understand the situation and nature of the allegation.

## 5. HOW THE COUNCIL WILL RESPOND

5.1. The action taken by the Council will depend on the nature of the issue. The Council will respond to your concerns as quickly as possible; please note that testing the concerns is not the same as accepting or rejecting them.

5.2. The overriding principle for the Council will be the public interest. In order to be fair to all employees, including those who may be wrongly or mistakenly accused, initial independent enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. This decision will be made by The Head of Human Resources, The Head of Paid Service, The Monitoring Officer or the Chief Finance Officer. The matters raised may be:

- Investigated internally, either in accordance with internal policy and procedure or in line with criminal investigative regulations where appropriate. Whilst not all allegations will result in criminal action, this is an option open to the Council and it is thus critical that the investigation is conducted in the appropriate manner. Evidence gathered as part of that investigation could form part of the disciplinary process whether or not criminal proceedings commence.
- Referred to the Police or other external enforcement agency such as the Health and Safety Executive, Environment Agency etc.
- Referred to the External Auditor.
- Form the subject of an independent enquiry.

5.3. Concerns or allegations which fall within the scope of existing procedures will normally be referred for consideration under those procedures. In some situations the matter may be resolved without the need for an investigation. Urgent and immediate action may be necessary where the security of relevant information is at risk or to protect the safety of individuals

## Whistle-Blowing Policy

- 5.4. If an investigation is appropriate, it may be necessary for this to be carried out under terms of strict confidentiality, i.e. by not informing the subject of the complaint until (or if) it becomes necessary to do so. However, in certain cases, such as allegations of ill treatment of others, suspension from work may have to be considered immediately. Protection of others is paramount in all cases.
- 5.5. Within ten working days of a concern being raised, the whistle-blower will receive the following in writing:
  - Acknowledgement that the concern has been received.
  - Confirmation of how the Council proposes to deal with the matter.
  - If an investigation is to take place, who will be conducting the investigation.
  - If further investigation is not appropriate, the reasons why.
  - Process information and staff support mechanisms.
- 5.6. Contact between the whistle-blower and the Officers considering the issues and/or conducting an investigation will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If the matter is on-going then feedback may be limited; if the matter is dealt with promptly then the whistle-blower will be advised on the outcome.
- 5.7. You need to be assured that your disclosure has been properly addressed. Unless there are any legal reasons why this cannot be done, you will be kept informed of the progress and outcome of any investigation.
- 5.8. Coordination of any investigation will be undertaken by an appropriate Officer with the authority to do so. The investigator will have the authority to access all necessary data and other resources pertinent to a full, fair and properly conducted investigation.
- 5.9. The investigation process is independent and will seek to determine whether an irregularity has been committed, and if so, by whom.
- 5.10. Once an investigation has been completed there are a number of potential outcomes including the following:
  - No case to answer; case closed.
  - Informal action.
  - Formal action; disciplinary action and/or prosecution by the Council. Suspension may also be appropriate.
  - External referral to the Police and/or other body.
- 5.11. The Council will do what it can to minimise any difficulties that you may experience as a result of raising a concern. For instance, if you are asked to give evidence in criminal or disciplinary proceedings, the Council will arrange for you to receive appropriate advice and support.
- 5.12. If a member of staff is dissatisfied with the conduct of an investigation, whether as the person under investigation, as the informant, or in any other involved capacity, a complaint may be raised with the Head of Paid Service. A review may then take place.
- 5.13. This Policy does not prevent any person from taking external legal advice.

# Whistle-Blowing Policy

## 6. RESPONSIBILITIES

- 6.1. Managers should ensure all staff, including agency staff, consultants and contractors etc. are aware of and follow Council Policies and Procedures. Managers should register any whistle-blowing cases brought to their attention immediately with the Head of Human Resources and provide support to any employee making such a complaint.
- 6.2. Employees should be vigilant and raise any serious concerns about aspects of work or practices which affect the integrity of the Council or safety of employees and/or the public.
- 6.3. Senior and Statutory Officers - Head of Human Resources, Head of Paid Service, Monitoring Officer, Head of Democratic Services and Chief Finance Officer will respond to whistle-blowing submissions positively and within the timescales set out. The Head of Paid Service has overall responsibility for ensuring that the Council adheres to this Policy.
- 6.4. Human Resources will record and deal with any whistle-blowing issues including the provision of any support and advice as required to include attendance at meetings as necessary.

## 7. FURTHER INFORMATION

- 7.1. Further information on Council policy can be found in the following documents (or equivalent documentation / codes) :
  - The Constitution.
  - Code of Conduct for Employees and the Members Code of Conduct which include information in relation to gifts and hospitality and declaring and registering interests.
  - Counter Fraud and Anti-Corruption Policy.
  - Prosecution Policy.
  - Anti-Money Laundering and Proceeds of Crime Policy.
  - Recruitment and Selection Policy.
  - RIPA Procedure and Guidance.
  - Counter Fraud and Anti-Corruption Investigation Procedures and Guidelines.
  - Financial Rules.
  - Contract Rules or equivalent.
  - Fair Processing Statement.
  - Disciplinary and Grievance Procedures.

## 8. STRATEGY AND POLICY REVIEW

- 8.1. The appropriate department will review and amend this strategy as necessary to ensure that it continues to remain compliant and meets legislative requirements and the vision of the Council.
- 8.2. Responsible Department: Counter Fraud Unit  
Date: July 2016  
Review frequency as required by legislative changes / every three years.

## TEWKESBURY BOROUGH COUNCIL

<b>Report to:</b>	Audit Committee
<b>Date of Meeting:</b>	21 September 2016
<b>Subject:</b>	Regulation of Investigatory Powers Act 2000
<b>Report of:</b>	Donna Marks, Solicitor
<b>Corporate Lead:</b>	Sara Freckleton, Borough Solicitor
<b>Lead Member:</b>	Councillor R J E Vines
<b>Number of Appendices:</b>	Two

**Executive Summary:**

The Regulation of Investigatory Powers Act (RIPA) came into force in 2000. The Act allowed Councils to carry out covert surveillance of alleged offenders for the prevention and detection of crime. The Act also allowed the Council to apply to mobile phone companies, and other telecommunications providers, for information about individuals who are suspected of committing crimes. Compliance with RIPA ensures that the actions taken by the Council comply with the Human Rights Act 1998, in particular the right to privacy and the right to a fair trial, when evidence gathering in preparing cases for Court.

In accordance with the guidance issued by the Home Office to support the statutory Code of Practice, it is recommended that Councillors are involved in an annual review of RIPA policies. This is the annual report for 2016.

An external inspection was undertaken on 3 February 2014 and a further inspection is due to take place later this year.

**Recommendation:**

That the RIPA – Procedural Guide, attached to the report at Appendix 1, be **ENDORSED** and that the Social Media Policy, attached to the report at Appendix 2, be **APPROVED**.

**Reasons for Recommendation:**

Further to the Office of Surveillance Commissioners ‘OSC’ Report in 2014, there have been additional recommendations by the OSC that Councils should consider implementing a Social Media Policy/Procedure in order to carry investigations – this is due to the increasing internet traffic and use of social media network sites being used by traders, companies and individuals that may result in criminal activity.

**Resource Implications:**

None.

**Legal Implications:**

This report ensures that the Council complies with the guidance issued by the Home Office to support the Statutory Code of Practice in ensuring Member oversight of the use of the Council's surveillance powers. The Council may, where it is necessary and proportionate, undertake surveillance. RIPA provides a legal framework for the control and regulation of surveillance and information techniques which public authorities undertake as part of their duties. The Council's procedural guide will provide information and advice to those seeking authorisation and those officers granting authorisation. It will also provide the public with information about how the Council approaches using the surveillance.

This report also addresses the recommendation by the OSC for Local Authorities/Districts to have a Social Media Policy. The purpose of such a policy is to monitor overtly activity that uses, for example: Facebook, Twitter, You Tube, for illegal/unlawful purposes. The full details of the Social Media Policy is set out in Appendix 2.

**Risk Management Implications:**

The Council is required to strictly follow and adhere to the Council's RIPA Policy and all associated Policies and Procedures.

**Performance Management Follow-up:**

Not applicable.

**Environmental Implications:**

Not applicable.

**1.0 INTRODUCTION/BACKGROUND - THE COUNCIL'S PROCEDURES**

- 1.1 The Council has a policy dealing with RIPA, for Surveillance and for Communications. The RIPA Policy is available via the Council's intranet site along with guidance materials and pro-forma application forms for use by Authorising Officers. Officers keep the policies under review and update them as and when required to ensure that the policies take account of all relevant changes in guidance.
- 1.2 It should be noted that obtaining a RIPA Authorisation is through the Magistrates Court and the use of these powers is on an exceptional basis.
- 1.3 The Committee last received a report on 10 December 2014 and no authorisations have been granted since that date.
- 1.4 Lead Members will also receive reports about any authorisations in accordance with the Council's policies at Committee on 21 September 2016. However at the time of preparing this report no RIPA authorisations have been made.

## **2.0 THE COVERT SURVEILLANCE AND COMMUNICATIONS POLICY**

**2.1** There has been no use of these powers since the last report to Members in December 2014.

**2.2** The current RIPA Surveillance policy was last revised on 10 December 2014 and there are no changes proposed.

## **3.0 POLICY & PROCEDURES ON LAWFUL SURVEILLANCE**

**3.1** There have been no changes to undertaking lawful surveillance.

## **4.0 SOCIAL MEDIA POLICY**

**4.1** There has been a strong recommendation by the OSC to introduce a Social Media Policy, when seeking to undertake surveillance that uses Social Networking Sites 'SNS' such as Facebook, Twitter and using the internet.

A draft Social Media Policy has been drafted for Member approval which is attached at Appendix 2.

## **5.0 TRAINING**

**5.1** Officers are required to undertake annual training by an external accredited trainer to ensure that their practices and procedure are up to date.

Training is now being planned to take place in November 2016 for Authorising Officers. This is an annual session.

## **6.0 OTHER OPTIONS CONSIDERED**

**6.1** None.

## **7.0 CONSULTATION**

**7.1** All Authorising Officers/Designated Persons within the Council were consulted upon with the introduction of the Social Media Policy at Appendix 2. The Borough Solicitor, as the Senior Responsible Officer, was also consulted upon and has approved the introduction of a Social Media Policy, subject to Members approval.

## **8.0 RELEVANT COUNCIL POLICIES/STRATEGIES**

**8.1** None.

## **9.0 RELEVANT GOVERNMENT POLICIES**

**9.1** None.

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

**10.1** None.

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

**11.1** There are no sustainability implications that arise as a direct result of this report.

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

**12.1** The Council is reminded of its statutory duty, in the exercise of its functions, to have due regard to the need to:

- Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by the Equality Act 2010.
- Advance equality of opportunity between persons who share a protected characteristic and persons who do not share it; this means:-
  - removing or minimising disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic.
  - taking steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it.
  - encouraging persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
- Foster good relations between persons who share a protected characteristic and persons who do not share it; this means:-
  - tackling prejudice.
  - promoting understanding.

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

**13.1** None.

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**Background Papers:** None.

**Contact Officer:** Donna Marks, Solicitor Tel: 01684 272068  
Email: [donna.marks@teWKesbury.gov.uk](mailto:donna.marks@teWKesbury.gov.uk)

**Appendices:** Appendix 1 - RIPA Policy.  
Appendix 2 - Social Media Policy.

**TEWKESBURY BOROUGH COUNCIL**  
**PROCEDURAL GUIDE**  
**REGULATION OF INVESTIGATORY POWERS ACT**  
**2000**

## Forward

*The purpose of this Procedural Guide ("the Guide") is to ensure that Tewkesbury Borough Council ("the Council") complies with the Regulation of Investigatory Powers Act 2000 (RIPA).*

*The introduction of the Human Rights Act 1998 means that the Council by law has to respect the rights of everyone. In particular Article 8 guarantees everyone the right to respect for their private and family life, their home and correspondence. This right can only be interfered with when the interference is in accordance with the law and necessary. RIPA provides the framework for public authorities to carry out surveillance and the lawful means whereby rights can be infringed by the Council. If the correct procedures are put in place and followed by officers the Council will earn the protection of RIPA and our actions will be lawful.*

### 1. INTRODUCTION

- 1.1 This document sets out the policies and procedures adopted by Tewkesbury Borough Council ("the Council") in relation to the Regulation of Investigatory Powers Act 2000 ("RIPA").
- 1.2 RIPA regulates the Council's powers to use covert surveillance and covert human intelligence sources ("CHIS") in carrying out its functions. Under RIPA, the Council must have procedures in place that ensure surveillance is properly authorised, with full consideration given to the necessity and proportionality of the covert surveillance or CHIS in the context of individual's rights under the Human Rights Act 1998 ("the HRA") and other relevant legislation. The policies and procedures set out in this document are based on the provisions of RIPA, the Home Office Codes of Practice on Covert Surveillance and Property Interference and Covert Human Intelligence Sources and guidance issued by the Office of the Surveillance Commissioner.
- 1.3 This guide shall be readily available at the Council Offices. A copy can be obtained from the RIPA co-ordinator, One Legal, Tewkesbury Borough Council, Council Offices, Gloucester Road, Tewkesbury GL20 5TT. It is also available on the Council's website at [www.tewkesbury.gov.uk](http://www.tewkesbury.gov.uk).
- 1.4 The HRA requires the Council and any organisations working on its behalf to respect the private life and family of citizens, their home and their correspondence. This is not an absolute right, but interference will only be justified if it is:-
  - a) in accordance with the law,
  - b) necessary, for one of the purposes defined in the HRA, and
  - c) proportionate.
- 1.5 The Council may need, where it is deemed necessary and proportionate, to make use of covert surveillance or CHIS. The use of any covert surveillance should only be used as a last resort and any covert surveillance will have to be authorised and conducted in accordance with RIPA, the statutory codes of practice and this Guide and shall only be for one of the purposes set out in this Guide and for a purpose which the Council is legally required or empowered to investigate as part of its functions.

- 1.6 Any covert surveillance or use of a CHIS by or on behalf of the Council must be carried out in accordance with these policies and procedures, and must be authorised in advance by an Authorising Officer ("AO")(Annex A) on the appropriate form (see Annex B). Both staff directly employed by the Council and external agencies working for the Council are subject to RIPA whilst they are working for the Council in a relevant investigatory capacity.
- 1.7 Compliance with the provisions of RIPA, the Home Office Codes of Practice and these policies and procedures should protect the Council, its officers and agencies working on its behalf against legal challenge.
- 1.8 In addition to setting out the procedures that must be followed, this document aims to provide guidance to officers about the circumstances in which they are permitted to embark on covert surveillance or use a CHIS. The forms set out in the Appendices B contain relevant guidance notes; however, officers are encouraged to contact One Legal for advice or assistance if required. Useful guidance can also be found via the web-sites of the Office of Surveillance Commissioners at [www.surveillancecommissioners.gov.uk](http://www.surveillancecommissioners.gov.uk) and the Home Office RIPA web-site at [www.homeoffice.gov.uk](http://www.homeoffice.gov.uk)
- 1.9 Appropriate training will be arranged at regular intervals for all officers likely to make applications or authorise them. The Council's Senior Responsible Officer (SRO)(see section 7) will ensure that they and all relevant members of their staff undertake this training and that appropriate records are kept.
- 1.10 It is important to keep full records of all applications and authorisations relating to activities covered by RIPA, in accordance with the requirements of the relevant Codes of Practice and the procedures set out in this document.

## **2. THE REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)**

### **2.1 THE BACKGROUND TO RIPA**

- 2.1.1 RIPA provides a legal framework for the control and regulation of surveillance and information techniques which public authorities undertake as part of their duties. As was highlighted in the introduction to the Guide the need for such control arose as a result of the Human Rights Act 1998. Article 8 of the European Convention on Human Rights states that:

*Everyone has the right of respect for his private and family life, his home and his correspondence.*

*There shall be no interference by a public authority with the exercise of this right except such as in accordance with the law and is necessary in a democratic society in the interests of national security, public safety or the economic well-being of the country, for the prevention of disorder or crime, for the protection of health and morals or for the protection of the rights and freedoms of others.*

- 2.1.2 The right under Article 8 is a qualified right and authorities can interfere with this right for the reasons given in paragraph 2 of Article 8. RIPA provides the legal framework for lawful interference.

### **3. THE SCOPE OF THIS GUIDE**

#### **3.1 SURVEILLANCE**

3.1.1 This Guide intends to cover the surveillance and information gathering techniques which are most likely to be carried out by the Council.

3.1.2 Local Authorities can only approve authorisations under RIPA when performing its core functions. Those are the specific public functions undertaken by the Local Authority as opposed to its ordinary functions which are undertaken by all public authorities. For example, an authorisation under RIPA cannot be used when the principal purpose of an investigation is for taking disciplinary action against an employee, as the disciplining of an employee is not a core function. It may, however, be appropriate to seek an authorisation under RIPA if there are associated criminal investigations. If you are unsure about whether you can seek RIPA authorisation please contact the RIPA co-ordinator before you seek approval or undertake surveillance.

#### **3.2 OVERT SURVEILLANCE**

3.2.1 Neither RIPA nor this Guide covers the use of overt surveillance, any general observation that forms part of the normal day to day duties of officers (for example, where a planning officer drives past a site to check whether planning conditions are being complied with), the use of equipment to merely reinforce normal sensory perception such as binoculars or circumstances where members of the public who volunteer information to the Council. Surveillance is also overt if the subject has been told it will happen i.e. a noisemaker is warned that noise may be recorded if a noise nuisance continues.

3.2.2 Most investigations carried out by the Council will not involve covert surveillance as other investigative means will be used. For example the evidence will be collected overtly i.e. there will be nothing secretive, clandestine or hidden about it i.e. an officer of the Council in a council uniform walking around a car park or visiting a site to collect evidence where you make your presence known to the owner of the land or you will have collected evidence such as a food sample brought in good faith from a shop and you will take a witness statement from a person about the food sample.

3.2.3 The use of equipment such as binoculars or cameras will be intrusive if it consistently provides information of the same quality as might be expected to be obtained from a device actually present on the premises or in the vehicle concerned. This would in fact constitute 'Intrusive Surveillance' which the Council can not authorise.

3.2.4 There may be occasions when officers come across events unfolding which were not pre planned which then requires them to carry out some form of observation. This will not amount to Directed Surveillance. However it will amount to surveillance outside of RIPA and must still be necessary and proportionate and take account of the intrusion issues. Officers must not abuse the process and be prepared to explain their decisions in court should it be necessary. It is important when conducting surveillance in these circumstances that officers still understand that they have obligations to ensure that their actions are HRA compliant and are therefore necessary and proportionate and take account of the intrusion issues. Investigating Officers (IO) should document their decisions, what took place, and what evidence or information was obtained.

3.3.5 IO should be careful if they start to undertake more specific and targeted investigations into a matter. Repeated visits may amount to systematic, and therefore, directed surveillance and require authorisation: If in doubt, legal advice should be sought in advance of any visit.

3.2.6 RIPA does not normally cover the use of overt CCTV surveillance systems since members of the public are aware that such systems are in place. There may however be times when the Council uses the CCTV for a specific investigation or operation. If the CCTV system is going to be used for this purpose the CCTV should only be used in accordance with the Council's policy on CCTV use.

### 3.3 COVERT SURVEILLANCE

3.3.1 Covert surveillance is carried out in a manner calculated to ensure that the person subject to the surveillance is unaware of it taking place.

3.3.2 RIPA regulates two types of covert surveillance - Directed Surveillance, Intrusive Surveillance and the use of Covert Human Intelligence Sources (CHIS).

### 3.4 DIRECTED SURVEILLANCE

3.4.1 Directed Surveillance (DS) is surveillance which:-

- is covert; and
- is not intrusive surveillance (see definition below and please also note that the Council is prohibited by law from carrying out any intrusive surveillance);
- is not carried out in an immediate response to events which would otherwise make seeking authorisation under RIPA unreasonable e.g. spotting something suspicious and continuing to observe it; and
- is undertaken for the purpose of a specific investigation or operation in a manner likely to obtain private information about an individual (whether or not that person is specifically targeted for purposes of an investigation).

3.4.2 Private information in relation to a person includes any information relating to his private and family life, his home and his correspondence. The fact that covert surveillance occurs in a public place or on business premises may not mean that it cannot result in the obtaining of private information about a person. The way a person runs his/her business may also reveal information about his or her private life and the private lives of others. Prolonged surveillance targeted on a single person will undoubtedly result in the obtaining of private information about him/her and others that s/he comes into contact or associates with.

3.4.3 Surveillance that is unforeseen and undertaken as an immediate response to a situation normally falls outside the definition of DS and therefore authorisation is not required. However, if a specific investigation or operation is subsequently to follow, authorisation must be obtained in the usual way before it can commence. In no circumstance will any covert surveillance operation be given backdated authorisation after it has commenced.

### 3.5 INTRUSIVE SURVEILLANCE

3.5.1 Intrusive surveillance can be carried out only by police and other law enforcement agencies. **Council officers must not carry out intrusive surveillance.** This information is only included in this guide as information and to inform Investigators of what is Intrusive Surveillance so it can be avoided.

### 3.5.2 Intrusive Surveillance occurs when surveillance:-

- is covert;
- relates to residential premises and private vehicles; and
- involves the presence of a person in the premises or in the vehicle or is carried out by a surveillance device in the premises/vehicle. Surveillance equipment mounted outside the premises will not be intrusive, unless the device consistently provides information of the same quality and detail as might be expected if they were in the premises/vehicle.

3.5.3 The Council can not authorize 'interference with property'. It may be the case that a Council officer may need to trespass onto land belonging to another without consent during their duties, for example to deploy a covert camera. It is important that urgent advice is sought from 'One Legal' in respect of such matters as there may be a civil 'tort' liability.

## 3.6 COVERT HUMAN INTELLIGENCE SOURCES

3.6.1 The use of a covert human intelligence source (CHIS), and his or her conduct, also requires authorisation under RIPA. The Council is only likely to use a CHIS under very exceptional circumstances, and advice should be sought from One Legal before any authorisation is applied for or granted.

3.6.2 A CHIS is defined as someone who establishes or maintains a personal or other relationship for the purpose of: -

- covertly using the relationship to obtain information or provide access to any information to another person
- covertly disclosing information obtained by means of that relationship
- where the relationship is conducted in a manner that is calculated to ensure that one of the parties to the relationship is unaware of its purpose.

3.6.3 These provisions would cover the use of professional witnesses to obtain evidence or information, or officers operating "undercover". Great caution should be exercised in these circumstances, and further advice should be sought from One Legal before using professional witnesses.

3.6.4 Special safeguards apply to the use or conduct of juvenile sources (i.e. under 18 years of age). On no account can a child under 16 years of age be authorised to give information against his or her parents. Similar safeguards also apply to the use of vulnerable individuals as sources. (A vulnerable individual is a person who is or may be in need of community care services by reason of mental or other disability, age or illness and who is or may be unable to take care of himself or herself, or unable to protect himself or herself against significant harm or exploitation.). Further advice must be sought from One Legal before using juveniles or vulnerable individuals as sources, to ensure that all necessary legal requirements are complied with.

3.6.5 There are also specific legal rules which must be followed in relation to the management of sources. Details are given in the relevant Home Office Code of Practice, and further advice can be obtained from One Legal.

## **4. AUTHORISATION PROCEDURES**

### **4.1 BACKGROUND**

4.1.1 Any DS or the use of a CHIS undertaken by or on behalf of the Council must be carried out in accordance with RIPA and must not commence until authorisation has been granted. A flow chart of the procedures to be followed appears at Annex C. LOCAL AUTHORITY PROCEDURE: APPLICATION TO A JUSTICE OF THE PEACE SEEKING AN ORDER TO APPROVE THE GRANT OF A RIPA AUTHORISATION OR NOTICE at Annex D

4.1.2 Officers are advised to discuss the need to undertake DS or the use of a CHIS with their manager before seeking an authorisation. All other reasonable and less intrusive options to gain the required information should be considered before an authorisation is applied for. If it is intended that both DS and the use of a CHIS will take place on the same surveillance subject, the respective applications forms and procedures should be followed and both activities should be considered separately on their own merits.

### **4.2 INVESTIGATING OFFICERS (IO) RESPONSIBILITIES**

4.2.1 All the relevant sections on an application form (see Appendix B) must be completed with sufficient information for the AO to consider necessity, proportionality and the collateral intrusion issues. Risk assessments should take place prior to the completion of the application form. Each application should be completed on its own merits of the case. Cutting and pasting or using template entries should not take place as this would leave the process open to challenge.

### **4.3 PRE AUTHORISATION STEPS**

4.3.1 Before submitting an application for authorisation, an Investigating Officer must firstly contact One Legal, who will issue a Unique Reference Number ("URN"). This should be in the form: Year/Group/Team/Number of Application. Any subsequent forms (e.g. renewals or cancellations) relating to the same investigation or operation should be identified by means of the same URN. AO's should not authorise any application which does not feature an URN. The RIPA Coordinator will require the following information from the Investigating Officer when issuing a URN: -

- Type of activity
- Identity of subjects (if known)
- Location of camera (if appropriate) (if identity of subjects not known)
- Name of Investigating Officer and Team
- Ward where surveillance is likely to take place
- AO to whom the application will be submitted

4.3.2 When issuing the URN, the RIPA Coordinator can provide advice to the Investigating Officer in relation to the activity to be authorised including any issues of necessity, proportionality and collateral intrusion.

## 4.4 AUTHORISING OFFICERS

4.4.1 Only those officers employed in the designated “Authorising Officer” posts (AOs) set out in Appendix A can authorise DS or the conduct or use of a CHIS. AOs may not sub-delegate their powers in relation to RIPA to other officers. AOs should also not authorise investigations in which they are directly involved. If however this is unavoidable the reasons for this should be recorded.

4.4.2 Before giving authorisation an AO must be satisfied that the reason for the request is for the prevention and detection of crime and that the crime attracts a custodial sentence of a maximum of 6 months or more or is an offence relating to the underage sale of alcohol or tobacco under sections 146, 147 or 147A of the Licensing Act 2003 or section 7 of the Children and Young Persons Act 1933.

4.4.3 An AO must also be satisfied the surveillance in each case is necessary and proportionate in those particular circumstances. Obtaining an authorisation under the 2000 Act, the 1997 Act and 1994 Act will only ensure that there is a justifiable interference with an individual’s Article 8 rights if it is necessary and proportionate for these activities to take place.

4.4.4 When considering an application, AOs must:-

- (a) be satisfied that the desired result of the covert surveillance cannot reasonably be achieved by other means;
- (b) have regard to the contents of this document, the training provided on RIPA and any other guidance or advice given by the RIPA co-ordinator;
- (c) satisfy his/herself that the RIPA authorisation will be;
  - (i) in accordance with the law;
  - (ii) necessary in the circumstances of the particular case for the purpose mentioned in paragraph 4.4.8 below; and
  - (iii) proportionate to what it seeks to achieve
- (d) assess whether or not the proposed surveillance is proportionate, consider other appropriate means of gathering the information, and particularly whether any other means would be less intrusive (the least intrusive means of obtaining the necessary information should always be preferred);
- (e) take into account the risk of intrusion into the privacy of persons other than the specified subject of the surveillance (called ‘collateral intrusion’), and consider whether any measures should be taken to avoid or minimise collateral intrusion as far as possible ( the degree of likely collateral intrusion will also be relevant to assessing whether the proposed surveillance is proportionate);
- (f) consider whether there is the possibility of collecting confidential personal information. If there is a possibility of collecting personal information the matter should be passed to the Chief Officer for consideration
- (g) consider any issues which may arise in relation to the health and safety of Council employees and agents, and ensure that a risk assessment has been undertaken if appropriate.

4.4.5 When authorising the conduct or use of a CHIS, the AO must also:

- (a) be satisfied that there will at all times be a person holding an office, rank or position who will have day-to-day responsibility for dealing with the source and for the source's security and welfare and that there will at all times be another person holding an office, rank or position who will have general oversight of the use made of the source i.e. a handler and a controller;
- (b) be satisfied that the conduct and/or use of the CHIS is proportionate to the objective sought to be achieved;
- (c) be satisfied that appropriate arrangements are in place for the management and oversight of the CHIS. These arrangements must address health and safety issues by the carrying out of a formal and recorded risk assessment. The risk assessment should take in to account the likely outcome should the role of the CHIS become known and the requirement for source records to be maintained.
- (d) consider the likely degree of intrusion for all those potentially affected;
- (e) consider any adverse impact on community confidence that may result from the use or conduct of the CHIS or the information obtained; and
- (f) ensure that records contain the required particulars of the CHIS and that these are not available except on a 'need to know' basis.

4.4.6 In all cases the AO must record a clear description of what the authority is being granted for by reference to subjects, property or location and the type of surveillance permitted. This may not be the same as what is being requested.

4.4.7 When the AO has considered if the surveillance is necessary and proportionate they must complete the relevant section of the form explaining why in his/her opinion the surveillance is necessary and proportionate.

**Necessity** – The AO must be satisfied that the use of covert surveillance is necessary for one of the purposes specified in s.28(3) of RIPA and s.29(3) of RIP(S)A. In order to be satisfied, the conduct that it is aimed to prevent or detect must be identified and clearly described, particularly if it is questionable whether serious crime criteria are met. Often missed is an explanation of why it is necessary to use the covert techniques requested

**Proportionality** – An authorisation should demonstrate how an AO has reached the conclusion that the activity is proportionate to what it seeks to achieve, including an explanation of the reasons why the method, tactic or technique proposed is not disproportionate. It is not only about balancing the effectiveness of covert methods but of explaining why the particular covert method, technique or tactic is the least intrusive. It is insufficient to make a simple assertion or to say that the 'seriousness' of the crime justifies any or every method available. It may be unacceptable to advance lack of resources or a potential cost saving as sufficient ground to sue technological solutions which can be more intrusive than a human being.

4.4.8 The codes provide guidance relating to proportionality which should be considered by both applicants and AOs:

- balancing the size and scope of the proposed activity against the gravity and extent of the perceived crime or offence;

- explaining how and why the methods to be adopted will cause the least possible intrusion on the subject and others;
- considering whether the activity is an appropriate use of the legislation and a reasonable way, having considered all reasonable alternatives, of obtaining the necessary result; and
- evidencing, as far as reasonably practicable, what other methods had been considered and why they were not implemented.

4.4.9 The AO will provide the details of when reviews will take place. The review periods will be decided by the AO based on the circumstances contained within the application.

#### **4.5 COLLATERAL INTRUSION**

4.5.1 Before authorising applications for DS an AO must also take into account the risk of obtaining private information about persons who are not the subject/s of the surveillance. Measures should be taken, wherever practicable, to avoid or minimise unnecessary intrusion into the privacy of those who are not the intended subjects of the surveillance activity. Where collateral intrusion is unavoidable, activities may still be authorised, provided the intrusion is proportionate to what is sought to be achieved.

4.5.2 All applications should include an assessment of the risk of collateral intrusion and the details of any measures taken to limit the intrusion. An AO must consider these risks and the proportionality of proposed actions.

#### **4.6 CONFIDENTIAL INFORMATION**

4.6.1 If an IO or AO believes that confidential information may be obtained as a result of surveillance, the advice of One Legal should be sought in advance of any authorisation or surveillance. In any case where it is likely that confidential information may be acquired by the use of a CHIS, the only AO who may grant authorisation is the Head of Paid Service, who is the Chief Executive, or in his absence the person acting as the Chief Executive, "Confidential information" is defined for the purposes of RIPA as: -

- matters subject to legal privilege, for example, communications between legal advisers and their clients
- confidential personal information, for example. Information about someone's health or spiritual counseling or other assistance given or to be given to them or
- confidential journalistic material (this includes related communications), that is, material obtained or acquired for the purposes of journalism and subject to an undertaking to hold in confidence
- communications between a Member of Parliament and another person on constituency matters

#### **4.7 COURT APPROVAL**

4.7.1 After the AO has authorised the surveillance the IO must seek judicial approval before they conduct any surveillance. Any application to the Court must be made in consultation with One Legal. The IO (applicant) will complete the relevant forms and seek advice from One Legal. A copy of the application form/order form is attached at Appendix C. The applicant must complete the required sections of the application/order form.

4.7.2 Any application to a JP must be made in consultation with One Legal. Unless otherwise agreed One Legal will contact Her Majesty's Courts & Tribunals Service (HMCTS) to arrange a hearing. The hearing will be in private and heard by a single JP. The IO and an officer from One Legal will attend the Magistrates' Court to seek a Justice of the Peace's (JP) approval before commencing any surveillance.

- 4.7.3 Officers who may present the application at these proceedings may need to be formally designated by the Council under section 223 of the Local Government Act 1972 to appear, be sworn in and present evidence or provide information as required by the JP.
- 4.7.4 Upon attending the hearing, the officer must present to the Court the partially completed judicial application/order form, a copy of the RIPA application/authorisation form, together with any supporting documents setting out the case, and the original application/authorisation form.
- 4.7.5 The original RIPA application/authorisation should be shown to the Court but will be retained by the Council so that it is available for inspection by the Commissioners' offices and in the event of any legal challenge or investigations by the Investigatory Powers Tribunal (IPT).
- 4.7.6 The Court will consider the RIPA application/ authorisation and the judicial application/order form (Appendix C). They may have questions to clarify points or require additional reassurance on particular matters. These questions are supplementary to the content of the application form. The forms and supporting papers however must by themselves make the case. It is not sufficient for the Applicant to provide oral evidence where this is not reflected or supported in the papers provided.
- 4.7.7 The Court will consider whether he or she is satisfied that at the time the authorisation was granted or renewed, there were reasonable grounds for believing that the authorisation was necessary and proportionate. They will also consider whether there continues to be reasonable grounds. In addition they must be satisfied that the person who granted the authorisation or gave the notice was an appropriate designated person within the Council and the authorisation was made in accordance with any applicable legal restrictions, for example that the crime threshold for directed surveillance has been met.
- 4.7.8 The Court may decide to: (1) Approve the grant or renewal of an authorisation in which case the grant or renewal of the RIPA authorisation will then take effect and the Council may proceed to use the technique in that particular case. (2) Refuse to approve the grant or renewal of an authorisation in which case the RIPA authorisation will not take effect and the Council may not use the technique in that case.
- 4.7.9 Whatever the decision the Court will record their decision on the order section of the judicial application/order form. The court administration will retain a copy of the Council's RIPA application and authorisation form and the judicial application/order form. The Applicant will retain the original application/authorisation and a copy of the judicial application/order form.
- 4.7.10 If approved by the Court, the date of the approval becomes the commencement date and the three months duration will commence on this date, the officers are now allowed to undertake the activity. The original application and the copy of the judicial application/order form should be forwarded to the Central Register and a copy retained by the applicant and if necessary by the AO

## **4.8 REFUSALS**

- 4.8.1 If the Court does not approve the grant or renewal the authorisation will not take effect and the IO must not use technique in the case.
- 4.8.2 Where an application has been refused the applicant may wish to consider the reasons for that refusal. An IO and/or AO may wish to discuss this matter with One Legal.
- 4.8.3 Where the Court does not approve the grant or renewal and decides to quash the original authorisation the Court must not exercise its power to quash the application/authorisation unless the applicant has had 2 business days from the date of refusal to make representations. Any further representations will be made to the Court in consultation with One Legal.

## **4.9. DURATION AND RENEWALS OF AUTHORISATIONS**

- 4.9.1 Authorisations will have effect until the date for expiry specified on the relevant application form. If approved by a JP applications will last for 3 months from the approval date. No further operations should be carried out after the expiry of the relevant authorisation unless it has been renewed. It will be the responsibility of the IO to ensure that any DS or use of a CHIS is only undertaken under an appropriate and valid authorisation, and therefore, he/she should be mindful of the date when authorisations and renewals will cease to have effect. The SRO ("Senior Responsible Officer") will perform an auditing role in this respect but the primary responsibility rests with the IO and AO.
- 4.9.2 Authorisations should be reviewed at appropriate intervals, as set by the AO. Reviews should normally take place on a monthly basis unless the AO considers that they should take place more or less frequently (if so, the reasons should be recorded). If the surveillance provides access to confidential information or involves collateral intrusion, there will be a particular need to review the authorisation frequently. The results of reviews should be recorded on the appropriate form as set out in Annex B. There is no requirement for a review form to be submitted to a JP.
- 4.9.3 Should it be necessary to renew a DS or CHIS application authorisations must be made to a JP. Authorisations shall be renewed in writing. Applications for renewal should be made on the appropriate form in good time (at least seven working days if possible) before the authorisation is due to expire. The AO must consider the matter afresh, including taking into account the benefits of the surveillance to date and any collateral intrusion that has occurred. Renewals of an authorisation may be granted more than once, provided the criteria for granting that authorisation are still met. However, if the reason for requiring the authorisation has changed from the purpose for which it was originally granted, then it should be cancelled and new authorisation sought.
- 4.9.4 Authorisations must be cancelled as soon as they are no longer necessary. Even if an authorisation has reached its time limit it does not lapse and must still be formally cancelled. The responsibility to ensure that authorisations are cancelled rests primarily with the officer in charge of the investigation, who should submit a request for cancellation on the appropriate form as set out in Annex B. If the AO who authorised any DS or the use or conduct of a CHIS (or any AO who has taken over their duties) however is satisfied that it no longer meets the criteria upon which it was authorised, s/he must cancel it and record that fact in writing even in the absence of any request for cancellation.

## 5. RECORD MANAGEMENT

- 5.1 The Council must keep a detailed record of all applications for authorisations, grants, refusals, renewals, reviews and cancellations. A central register of all authorisations will be maintained by One Legal containing the information required from time to time by the relevant Home Office Code of Practice, and records will be retained for a period of at least three years from the ending of each authorisation.
- 5.2 The RIPA co-ordinator will monitor authorisations to ensure compliance with the relevant law and guidance, and with these policies and procedures. The Office of Surveillance Commissioners (OSC) can audit and review the Council's policies and procedures, and individual authorisations.
- 5.3 Copies of all completed RIPA forms, including applications (whether granted or refused), authorisations, renewals, cancellations and reviews, must be forwarded by the AO to the RIPA co-ordinator within five working days of the date of the relevant decision. All documents should be sent in sealed envelopes marked "Confidential".
- 5.4 The following information and documents must be maintained by relevant Group Manager in relation to each operation or investigation where RIPA authorisation is requested by officers within their team:
- the URN for the operation or investigation;
  - the originals of all completed RIPA application forms indicating whether the application was granted or refused, together with any supplementary documentation, and a copy of any notification of approval given by the AO;
  - a record of the period over which the surveillance has taken place;
  - details of the frequency of reviews prescribed by the AO;
  - a record of the result of each review of the authorisation;
  - the original of any request for a renewal of an authorisation, together with any supporting documentation submitted when the renewal was requested, details as to whether the request was granted or refused, and the reasons for doing so;
  - the original of any cancellation of an authorisation, including the reasons for cancellation;
  - the date and time when any instruction was given by the AO, (including any instruction to cease directed surveillance or to cease using a CHIS) and a note of that instruction and
  - the date and time when any other instruction was given by the AO
- 5.5 The following additional information should also be maintained by the relevant Group Manager and RIPA co-ordinator in relation to any CHIS:
- any risk assessment in relation to the source;
  - the circumstances in which tasks were given to the source;
  - the value of the source to the investigating authority;
- 5.6. An AO must not grant authority for the use of a CHIS unless s/he believes that there are arrangements in place for ensuring that there is at all times a person with the responsibility for maintaining a record of the use made of the CHIS. Certain particulars must be included in the records relating to each CHIS, and the records must be kept confidential. Further advice should be sought from One Legal on this point if authority is proposed to be granted for the use of a CHIS.

## **6. TELECOMMUNICATIONS DATA AND INTERCEPTION OF COMMUNICATIONS**

- 6.1 Under the RIPA (Communications Data) Order 2003, the Council is permitted to acquire information defined as **communications data**. This includes subscriber details and service data, but not traffic data (as these terms are defined in the legislation). These powers are outside the scope of this guidance document, but officers who consider that they may need to exercise these powers in the course of any investigation, or who require further information, should contact One Legal.
- 6.2 The recording of telephone calls between two parties when neither party is aware of the recording **cannot be undertaken**, except under a warrant granted under Part 1 of RIPA. Such warrants are only granted by the Secretary of State and it is not envisaged that such activity would fall within the remit of local authority investigations. However, there may be situations where either the caller and receiver consent to the recording of the telephone conversation and, in such circumstances a Part 1 warrant may not be required. Such interception should be treated as directed surveillance.
- 6.3 Part 1 of RIPA does not, however, prevent a local authority in certain circumstances from lawfully intercepting its employees' e-mail or telephone communications, or monitoring their internet access, for the purposes of prevention or detection of crime, or the detection of unauthorised use of these systems. This is authorised under Part 1 of the Telecommunications (Lawful Business Practice) (Interception of Communications) Regulations 2000.
- 6.4 The legislation referred to above is complex, and further advice should be sought from One Legal before any investigations are undertaken involving the interception of communications.

## **7 PROCEDURE FOR MONITORING RIPA AND OVERSIGHT**

### **7.1 SENIOR RESPONSIBLE OFFICER (SRO)**

7.1.2 The Council's Borough Solicitor is the designated SRO and shall be responsible for the following:-

- the integrity of the process in place within the Council to authorise Directed Surveillance;
- compliance with Part II of RIPA 2000 and any associated Codes of Practice;
- acting as liaison with the Commissioners and Inspectors and engaging with them as appropriate; and
- overseeing the implementation of any post-inspection action plans recommended or approved by a Commissioner.

7.1.3 The SRO shall ensure that all AOs are provided with copies of current and updated Codes of Practice and OSC Guidance and Procedure Notes as they are released from time to time.

7.1.4 The SRO shall maintain a Central Record of Authorisations.

### **7.2 OVERSIGHT PROCEDURES**

7.2.1 The SRO shall establish and maintain regular meetings not less than twice a year with the AOs to check and test processes and address any training requirements. These meetings shall form part of the Corporate Management Team business. The SRO shall arrange an oversight meeting as soon as practicable following an inspection to discuss issues and outcomes as appropriate.

7.2.2 The SRO shall record any issues arising out of authorisation applications, the statutory considerations, reviews and cancellations and shall review the quality of authorisations granted from time to time.

7.2.3 The SRO shall carry out analysis of such issues and shall decide appropriate feedback to the AO. Such information and conclusions shall also inform the reports to Audit Committee as required under paragraph 7.3 below.

7.2.4 The SRO is the point of contact in respect of any covert activity that takes place that was not properly authorised. The SRO will report any such activity to the OSC in writing as soon as the error is recognised (See Annex B for the correct form). This includes activity which should have been authorised but wasn't or which was conducted beyond the directions provided by the AO.

### **7.3 MEMBER REVIEW**

7.3.1 The members of the Council's Audit Committee shall review the use of RIPA and this policy. In order to facilitate this, the SRO shall provide yearly reports to Audit Committee on how RIPA has been used in the previous year and whether there are any concerns as to the policy.

### **7.4 AMENDMENTS TO THIS POLICY AND PROCEDURES**

7.4.1 The Council's SRO is duly authorised to keep this guidance document up to date, and to amend, delete, add or substitute any provisions as s/he deems necessary. For administrative and operational effectiveness, s/he is also authorised to amend the list of 'AO Posts' set out in Annex A, by adding, deleting or substituting any posts.

## **Annex A**

### **Role**

Senior Responsible Officer

Authorising Officers

RIPA Co-ordinator

### **Designated Officer**

Borough Solicitor – Sara Freckleton

Chief Executive – Mike Dawson

Deputy Chief Executive – Rachel North

Group Manager Environment and Housing –  
Val Garside

Group Manager Revenues and Benefits –  
Richard Horton

One Legal – Donna Marks

## **Annex B**

### **AUTHORISATION FORMS**

All of the forms necessary for RIPA are available from the Home Office website these forms are a mandatory part of the process and must be used in line with the guidance.

**All decisions about using regulated investigatory powers must be recorded as they are taken on the required form.**

This is the case for applicants seeking authority to undertake regulated conduct and for Authorising Officers and designated persons who consider and decide whether to grant authority or give notice for that conduct. Select the form that you require from the hyperlinked lists below:-

#### **Directed Surveillance**

[Application for the use of directed surveillance](#)

[Renewal of directed surveillance](#)

[Review of the use of directed surveillance](#)

[Cancellation of the use of directed surveillance](#)

#### **Covert Human Intelligence Sources**

[Application for the use of covert human intelligence sources](#)

[Renewal of authorisation to use covert human intelligence sources](#)

[Reviewing the use of covert human intelligence sources](#)

[Cancellation of covert human intelligence sources](#)

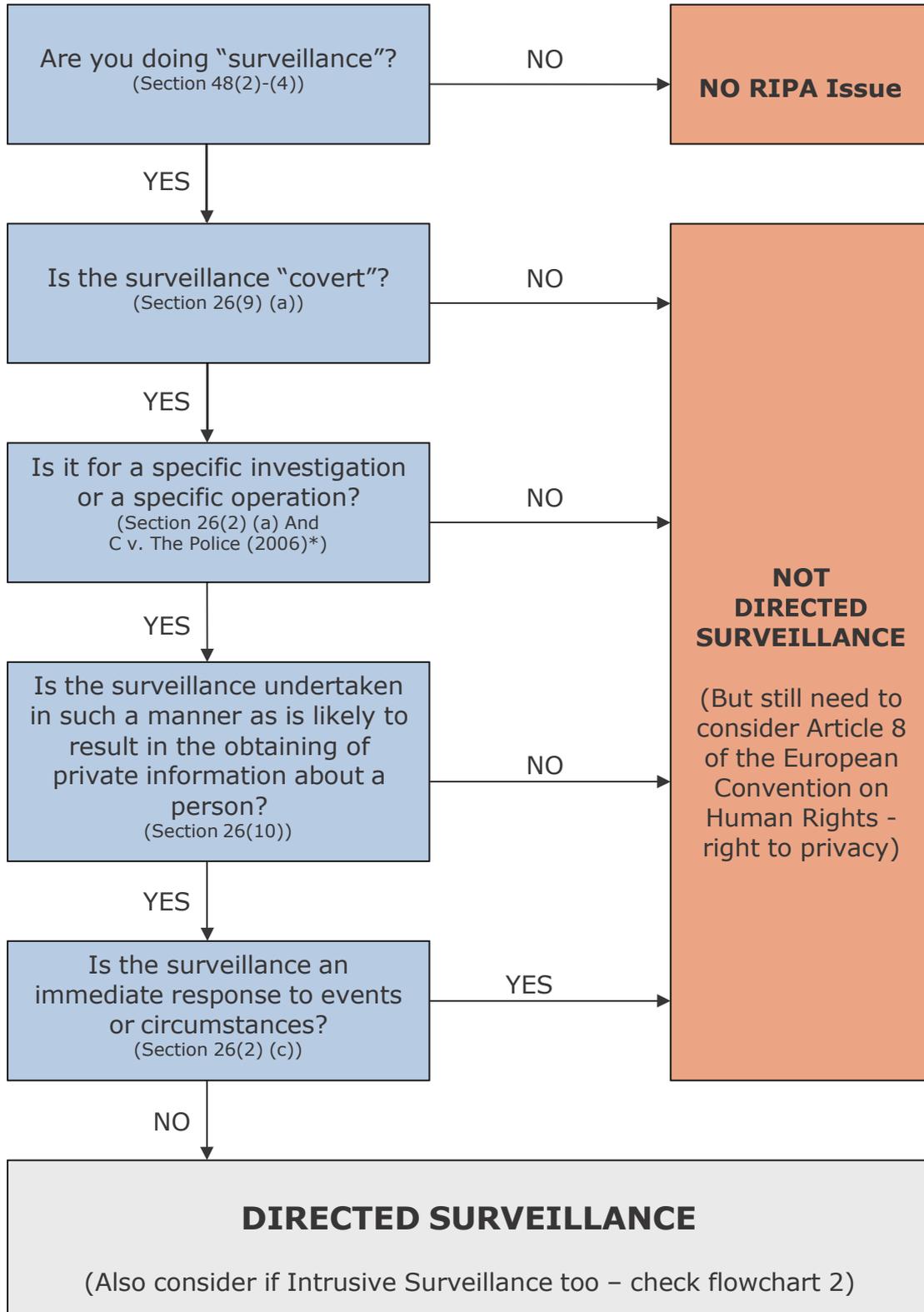
#### **Reporting errors to the IOCCO**

[Reporting an error by a CSP to the IOCCO](#)

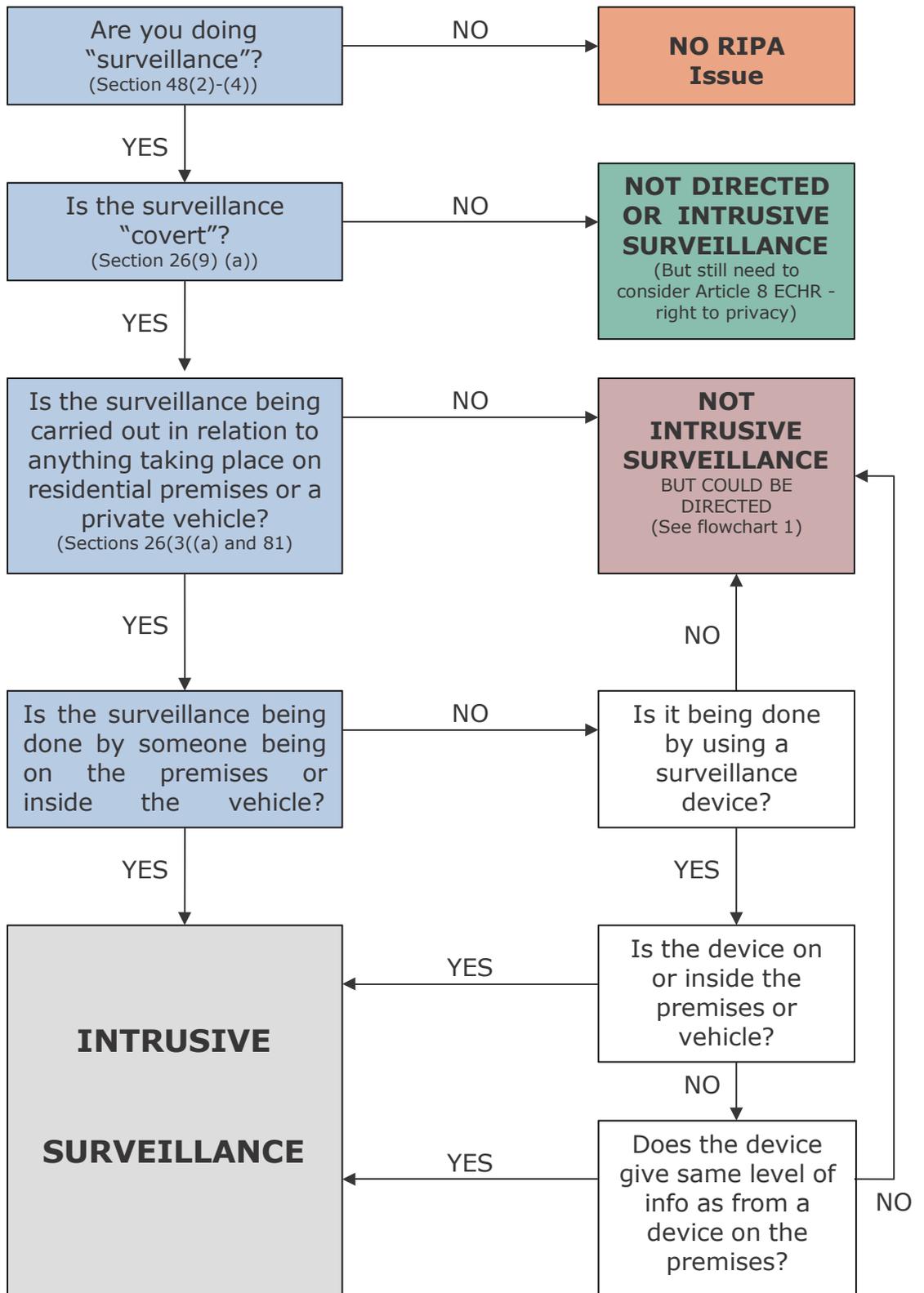
[Reporting an error by a public authority to the IOCCO](#)

**Flowchart 5.1 - Are you doing Directed Surveillance?**

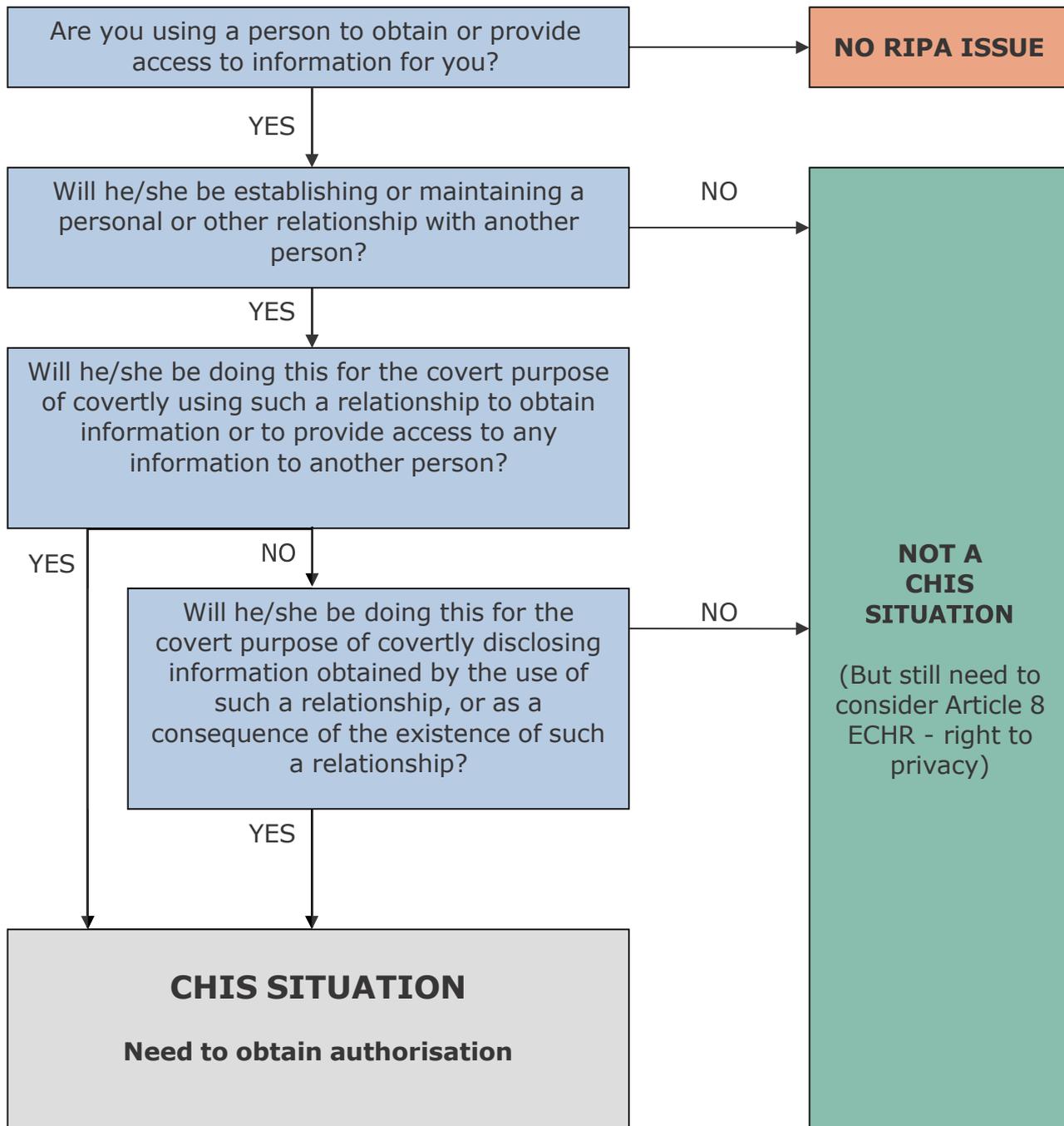
*All references are to sections of the Regulation of Investigatory Powers Act 2000*



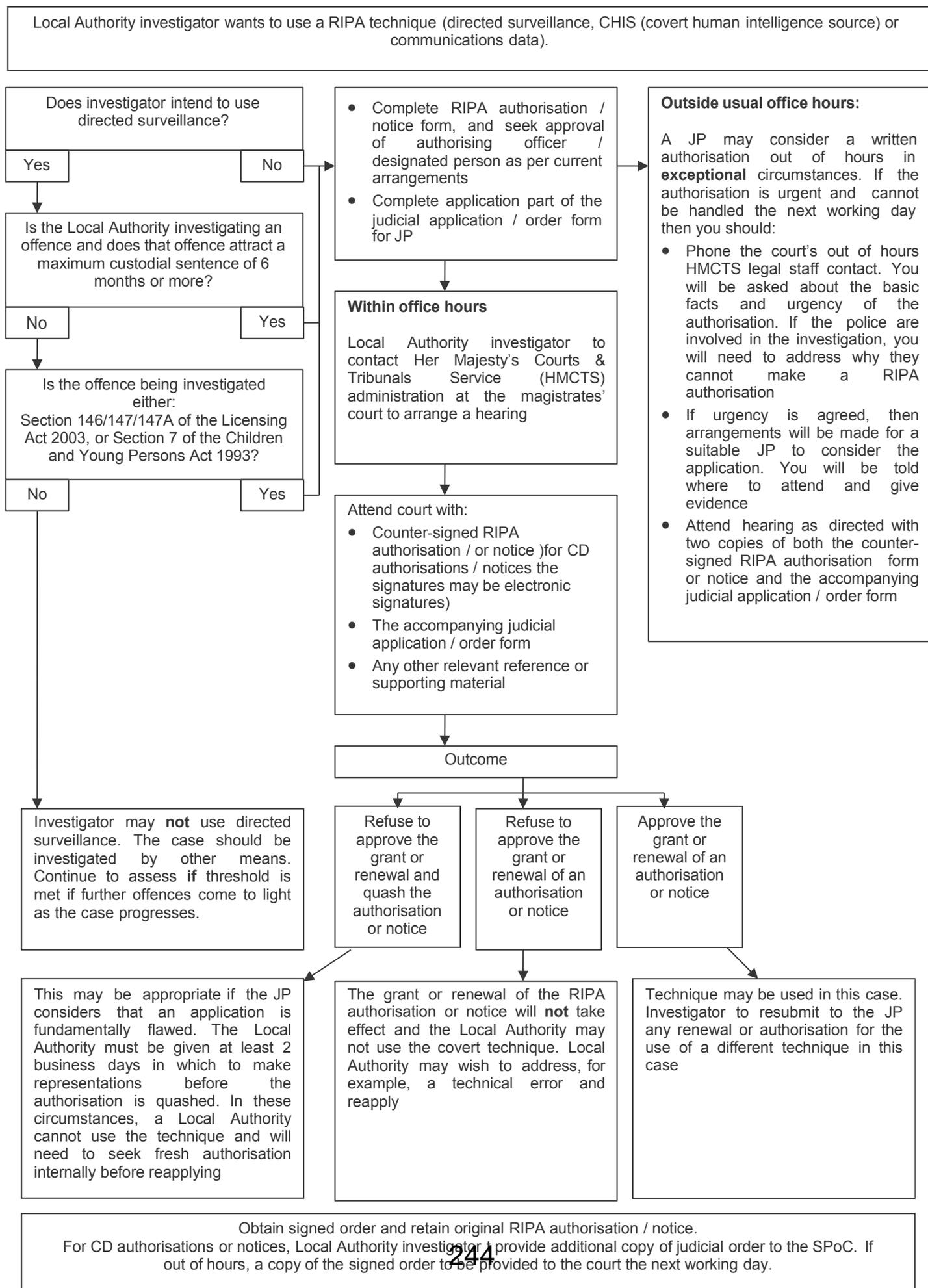
**Flowchart 5.2 -Are you doing Intrusive Surveillance?**



### Flowchart 5.3 - Are you using CHIS? (Section 26(8))



**LOCAL AUTHORITY PROCEDURE: APPLICATION TO A JUSTICE OF THE PEACE SEEKING AN ORDER TO APPROVE THE GRANT OF A RIPA AUTHORISATION OR NOTICE**



**TEWKESBURY BOROUGH COUNCIL**  
**Social Media Policy for the Purposes of**  
**Regulation of Investigatory Powers Act 2000' RIPA'**

Tewkesbury Borough Council recognises the benefits and opportunities that the internet and multi-media provide to access and share information using a wide range of on line facilities. This is referred to Social Networking Sites – 'SNS'.

There are however some considerations and standards to apply when using such sites and this policy establishes the Council's position regarding the use of the internet, mobile web browsing and specifically social media websites when undertaking investigations under and in accordance with RIPA.

The Council's ICT Security Policy provide the basis for this policy and associated guidance. This policy should be read in conjunction with the supporting RIPA Policy and any guidance issued by the OSC – Office of the Surveillance Commissioners.

This policy covers external investigations, which could also apply to internal staff that may be subject to an investigation. Advice should be taken from HR should an investigation involve a member of staff.

**Contents.**

**Scope.**

1. This policy covers the use of social media, including social networking websites such as Twitter, Facebook, LinkedIn, and YouTube, content communities and blogs.
2. The policy and guidance aim to ensure that the council and its employees when undertaking investigations are protected and that a lawful and fair process is followed.
3. This policy closely relates to other council documents but in particular ICT Security policy.
4. The other legislation that may also be impacted by an investigation being carried out is as follows: Human Rights Act 1998, Freedom of Information Act 2000 and the Data Protection Act 1998

**The use of conducting an investigation under the Social Media Policy.**

5. The implications of enforcement monitoring through the use of social and human rights implications is a difficult area for law enforcement with complex privacy considerations:

5.1 The two main issues are:

- (i) What expectation of privacy a user may reasonably have when posting on the Internet; and
- (ii) How covert or overt the officer looking at information on the internet is being.
- (iii) Whether or not a RIPA or CHIS authorisation should be obtained.

**Investigatory 'Tools'**

6. There are three main investigatory tools under RIPA that Officers may consider using in an investigation involving SNS. They are:
  - 6.1 The use of ‘Directed Surveillance, which is essentially covert surveillance carried out in places other than residential premises or private vehicles which is relevant where an investigatory technique might infringe Article 8 rights (e.g. where personal data or sensitive is likely to be accessed or acquired and there is an expectation of privacy) and which is subject to a ‘crime threshold’ when investigating criminal offences.
  - 6.2 The use of Covert Human Intelligence Source (CHIS) which includes undercover officers (most significantly included covert profiles), informants and persons making test purchases; and
  - 6.3 Powers to acquire or obtain ‘communications data’.
  - 6.4 The Council is seeking to focus on 3 broad categories so as to give an indication of what is and what is not acceptable for us to do. Prior to starting a browsing session an officer should consider what he/she is seeking to achieve and is likely to be doing and be aware of when their actions might cross the boundary from one “level” to another.

### Three Broad Categories

7. **Category 1** – Viewing publically available postings or websites where **the person viewing does not have to register a profile, answer a question, or enter any significant correspondence in order to view**. E.g. a typical trader’s website.
  - There must be a low expectation of privacy and **no RIPA authorisation would normally** be required to view or record these pages.
  - However, **repeated visits** over time to the extent that you might be perceived as **monitoring** a website, may require authorisation. Private information can remain private information even when posted on such a website and the European Convention on Human Rights has construed that the way a business is run can be private information. If you intend to monitor in this way therefore you may acquire private information and it is recommended that it is done in a **systematic** way with results recorded. Particularly note whether or not you happen to access private information. The fact that on previous visits a lack of private information is found could be good evidence that any subsequent acquisition was incidental and a RIPA authorisation is not required.
  - There is unlikely to be **unfairness** (S78 PACE Act) in presenting the pages viewed as evidence. Pay attention to the requirements in Appendix B of the ACPO Good Practice Guide for Digital Evidence (in **Chapter 2** of the D&S enforcement manual). If a test purchase is required, we may use a fictitious name and address without triggering the need for a CHIS (or Directed Surveillance) authorisation, provided no “relationship” is formed.
  - As above, the **use of a fictitious identity or “covert” account** is not necessarily the trigger for a need for a RIPA authorisation, be it Directed Surveillance, or the in the case of a test purchase, CHIS. More relevant is the likelihood of acquisition of private information, or how far a “relationship” is formed.
8. **Category 2** – Viewing postings on social networks **where the viewer has had to register a profile but there is not otherwise a restriction on access**. This would include Facebook where there is no need to be accepted as a “friend” to view. E.g.: Trader has a “shop window” on Facebook advertising a business and products.
  - There are differences between this and Category 1. The person who posts information or runs such a website may reasonably expect viewers to work within the terms and conditions of the website.

- Viewing should therefore normally be conducted in an overt manner i.e. via an account profile which uses your correct name, and email address (which should be a devon.gov.uk etc. address) or a Trading Standards Officer's Service Sanctioned profile. If this is done I can see no objection to a recording of the visit being made and presented evidentially.
- If the posting or website contains no private information a viewing would not engage privacy issues and therefore a RIPA authorisation is not needed. However it is possible that a mixture of private and business material is displayed, and the ECHR has construed the way a business is run as being private information. The conditions regarding **repeat visits** in Level 1 are therefore relevant.
- A "Covert" account at this level should only be used in the context of a RIPA authorisation.

9. **Category 3– Viewing postings on social networks which require a "friend" or similar status to view.**

- These are **highly** likely to involve viewing private information.
- Repeated viewings will constitute Surveillance and require a RIPA authorisation. This may apply whether or not a "covert" or "overt" account is used, though this is probably best obtained via a CHIS authorisation with the use of a covert profile and appropriate risk assessments.
- An "Overt" account which gains "friend" or similar status may **still require a RIPA authorisation**. It may be that such a status may be given by a default on the part of the person posting or website owner. The OFFICERS should be especially sure that their access is being granted as a representative of the appropriate office. For example, on Facebook it is stated that only people who know the person who maintains a profile should send a "friend" request to that profile. A person accepting that friend request may believe the person requesting is an acquaintance that they simply do not recall or know by another name. They still have a justifiable expectation of privacy. While requesting access may not comply with a strict interpretation of Facebook terms and conditions, a clearly identifiable **Officer's Service Sanctioned profile** is a way to deal with that expectation of privacy, rather than a more neutral officer based profile.
- An appropriate Officer's Service Sanctioned profile would need to be set up by IT in order to obtain intelligence and provide advice.
- A "Covert" account at this level should only be used in the context of a RIPA authorisation.

**Covert Facebook Accounts:**

10. It will not be lost that the use of covert Facebook accounts to access postings need to be covered by a RIPA authorisation. Currently there does not seem to be a mechanism for the Council to operate these on Facebook or other internet provides within those company's terms and conditions. Any evidence obtained via them can run a risk of being considered "unfair". It is quite likely that the profiles used will become "known" at some stage and users need to monitor them to ensure this is identified early. Considerable officer time is required to maintain a covert identity.
11. Obtaining a RIPA authorisation will also present an officer with a defence should there be an allegation that they have breached the Computer Misuse Act 1990 – it is an offence to deliberately access unauthorised material.

**Covert surveillance of Social Networking Sites (SNS)**

12. The fact that digital investigation is routine or easy to conduct does not reduce the need for authorisation. Care must be taken to understand how the SNS being used works. Authorising Officers

must not be tempted to assume that one service provider is the same as another or that the services provided by a single provider are the same.

13. Whilst it is the responsibility of an individual to set privacy settings to protect unsolicited access to private information, and even though data may be deemed published and no longer under the control of the author, it is unwise to regard it as “open source” or publicly available; the author has a reasonable expectation of privacy if access controls are applied. In some cases data may be deemed private communication still in transmission (instant messages for example). **Where privacy settings are available but not applied the data may be considered open source and an authorisation is not usually required. Repeat viewing of “open source” sites may constitute directed surveillance on a case by case basis and this should be borne in mind.**
14. Providing there is no warrant authorising interception in accordance with section 48(4) of the 2000 Act, if it is necessary and proportionate for a public authority to breach covertly access controls, the minimum requirement is an authorisation for directed surveillance. An authorisation for the use and conduct of a CHIS is necessary if a relationship is established or maintained by a member of a public authority or by a person acting on its behalf (i.e. the activity is more than mere reading of the site’s content).
15. **It is not unlawful for an officer of a public authority to set up a false identity but it is inadvisable for an officer of a public authority to do so for a covert purpose without authorisation.** Using photographs of other persons without their permission to support the false identity infringes other laws.
16. A member of a public authority should not adopt the identity of a person known, or likely to be known, to the subject of interest or users of the site without authorisation, and without the consent of the person whose identity is used, and without considering the protection of that person. The consent must be explicit (i.e. the person from whom consent is sought must agree (preferably in writing) what is and is not to be done).

#### **Recording Information**

17. All information should be recorded on the appropriate form(s) should an authorisation be required.

#### **Training**

18. Training should be made available to Officers undertaking any covert or directed surveillance when undertaking investigations.

#### **Useful Contacts**

19. [Helpline@saferinternet.org.uk](mailto:Helpline@saferinternet.org.uk)

#### **Related Documents**

20. Documents that should be referred to are:

- RIPA Policy
- Office of Surveillance Commissioners
- Code of Conduct
- ICT Security Policy
- ICT User Guide