

16 July 2019

Committee	Audit and Governance Committee
Date	Wednesday, 24 July 2019
Time of Meeting	2:00 pm
Venue	Tewkesbury Borough Council Offices, Severn Room

ALL MEMBERS OF THE COMMITTEE ARE REQUESTED TO ATTEND

Agenda

1. ANNOUNCEMENTS

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2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

To receive apologies for absence and advise of any substitutions.

3. DECLARATIONS OF INTEREST

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.



	Item	Page(s)
4.	MINUTES To approve the Minutes of the meetings held on 28 March and 28 May 2019.	1 - 11
5.	AUDIT COMMITTEE WORK PROGRAMME To consider the Audit Committee Work Programme.	12 - 17
6.	COUNTER-FRAUD UNIT REPORT To consider the annual update on the work of the Counter Fraud Team.	18 - 26
7.	EXTERNAL AUDITOR'S AUDIT FINDINGS To consider the external auditor's audit findings 2018/19.	27 - 56
8.	LETTER OF REPRESENTATION To approve the S151 Officer's Letter of Representation on the closure of the accounts for the year ended 31 March 2019.	57 - 63
9.	STATEMENT OF ACCOUNTS 2018/19 To approve the Statement of Accounts 2018/19.	64 - 153
10.	EXTERNAL AUDITOR'S FEE LETTER 2019/20 To consider the external auditor's fee letter in relation to the audit work to be undertaken during 2019/20.	154 - 156
11.	INTERNAL AUDIT MONITORING REPORT To consider the internal audit work undertaken and the assurance given on the adequacy of internal controls operating in the systems audited.	157 - 172
12.	INTERNAL AUDIT ANNUAL REPORT 2018/19 To consider the Internal Audit annual opinion and the assurance from the work undertaken during the year on the level of internal control within the systems audited.	173 - 181
13.	ANNUAL GOVERNANCE STATEMENT 2018/19 To approve the Annual Governance Statement 2018/19.	182 - 196
14.	CORPORATE RISK REGISTER To consider the risks contained within the Corporate Risk Register and assurance that the risks are being effectively managed.	197 - 217
15.	INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME To consider the contents of the quality assurance and improvement programme.	218 - 228

16. **AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT 2018/19** 229 - 243

To approve the Audit and Governance Committee Annual Report 2018/19.

DATE OF NEXT MEETING

WEDNESDAY, 18 SEPTEMBER 2019

COUNCILLORS CONSTITUTING COMMITTEE

Councillors: C M Cody, K J Cromwell, L A Gerrard, P A Godwin, H C McLain (Vice-Chair), P D McLain, H S Munro, V D Smith (Chair) and P E Smith

Substitution Arrangements

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

Recording of Meetings

In accordance with the Openness of Local Government Bodies Regulations 2014, 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 and Governance Committee held at the Council Offices, Gloucester Road, Tewkesbury on Thursday, 28 March 2019 commencing at 2:00 pm

Present:

Chair	Councillor H C McLain
Vice Chair	Councillor V D Smith

and Councillors:

G F Blackwell, P A Godwin and S E Hillier-Richardson

also present:

Councillor E J MacTiernan

A&G.1 ANNOUNCEMENTS

- 1.1 The evacuation procedure, as noted on the Agenda, was taken as read.
- 1.2 The Chair indicated that she had exercised her discretion under Procedure Rule No. 43 of the Constitution to vary the order of the Agenda and would take Item 9 – Annual Safeguarding Update, after Item 5 – Audit and Governance Committee Work Programme.

A&G.2 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

- 2.1 Apologies for absence were received from Councillor K J Cromwell. There were no substitutions for the meeting.

A&G.3 DECLARATIONS OF INTEREST

- 3.1 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.
- 3.2 There were no declarations made on this occasion.

A&G.4 MINUTES

- 4.1 The Minutes of the Audit Committee meeting held on 12 December 2018, copies of which had been circulated, were approved as a correct record and signed by the Chair.

A&G.5 AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

- 5.1 Attention was drawn to the Audit and Governance Committee Work Programme, circulated at Pages No. 10-15, which Members were asked to consider.
- 5.2 The Head of Corporate Services indicated that the Work Programme had been in place for 12-18 months and was working well. He made particular reference to the Internal Audit Peer Review Update which had been added to the Agenda for the meeting on 24 July 2019 and would advise Members on the progress made in implementing the recommendations arising from the independent review of Internal Audit. It was subsequently

RESOLVED That the Audit and Governance Committee Work Programme be **NOTED**.

A&G.6 ANNUAL SAFEGUARDING UPDATE

- 6.1 Attention was drawn to the report of the Head of Community Services, circulated at Pages No. 57-62, which gave an update on how the Council was fulfilling its safeguarding responsibilities. Members were asked to consider the annual report.
- 6.2 Members were advised that this was a fairly succinct report with an action plan, attached at Appendix 1, which aimed to provide assurance that Tewkesbury Borough Council recognised and accepted its responsibilities to ensure, as far as possible, that young people and vulnerable adults were protected from harm. It was noted that there had been legislative changes introduced by the Children and Social Work Act 2017 which had placed a duty on district authorities to play a more robust role in safeguarding and, locally, this had led to a review of the way that the Safeguarding Children Boards operated. In light of the transition taking place at County level, a light touch review had been carried out in relation to Tewkesbury Borough Council's own Safeguarding Policy which remained fit for purpose. The Head of Community Services usually reported on the Section 11 self-assessment of safeguarding compiled by Children's Services but this was not particularly relevant to district authorities which did not have the same level of involvement as the County Council, as such, this was being re-written and there was no requirement to submit a self-assessment this year.
- 6.3 A Member drew attention to Page No. 58, Paragraph 2.3 of the report which stated that, from 29 June 2018, local authorities must begin their transition from local Safeguarding Children Boards to Safeguarding Partner and Child Death Review Partnerships which must be completed by 29 September 2019 and she questioned whether this was just applicable to the county. In response, she was advised that these were national changes, therefore it would affect the whole of Gloucestershire and the rest of the country. A Member noted from the action plan that new online training was being made available to Councillors and he questioned whether this had been improved from that which was offered previously. The Housing Services Manager confirmed that she had completed the training and had found it to be an improvement; training would be rolled out to all Members following the local elections in May.
- 6.4 It was

RESOLVED That the annual report giving assurance as to the level of the Council's compliance with its safeguarding duty be **NOTED**.

A&G.7 EXTERNAL AUDITOR'S CERTIFICATION YEAR END LETTER MARCH 2018

- 7.1 Attention was drawn to Grant Thornton's Certification Year End Letter March 2018, circulated at Pages No. 16-18, which set out the findings of the housing benefit subsidy claim which had been certified during the year. Members were asked to consider the information provided.
- 7.2 Members were advised that the housing benefit subsidy claim for the financial year 2017/18 had been certified as £18.7M and the letter gave a very high level summary of the qualification matters reported to the Department for Work and Pensions and adjustment to the claim form. Four items had been outlined as matters resulting in qualification, as set out at Appendix A of the letter - these were quite technical but the Audit Manager from Grant Thornton advised that, essentially, Grant Thornton took a sample of the claims over the year and extrapolated these over the whole population, it was then up to the Department for Work and Pensions to decide if more work needed to be carried out. Whilst a certain amount of error was expected, as a couple of the errors dated back over the past few years, it was recommended that the Council review this going forward. Appendix B of the letter showed an additional charge of £4,311 for the extra work undertaken.
- 7.3 Having considered the information provided, it was
- RESOLVED** That the Grant Thornton Certification Year End Letter March 2018 be **NOTED**.

A&G.8 EXTERNAL AUDITOR'S AUDIT PLAN 2018/19

- 8.1 Attention was drawn to Grant Thornton's Audit Plan 2018/19, circulated at Pages No. 19-48, which set out the Audit Plan for the year ended 31 March 2019. Members were asked to consider the information provided.
- 8.2 The Audit Manager from Grant Thornton advised that the significant risks were outlined at Pages No. 23-24 of the report and had been identified as management over-ride of control which was a presumed risk; valuation of Property, Plant and Equipment; and valuation of pension fund net liability. There was a rebuttable presumed risk that revenue may be misstated due to improper recognition but Grant Thornton did not consider this to be a significant risk for Tewkesbury Borough Council. Page No. 26 of the report outlined materiality and the misstatements that would be reported. It was noted that materiality at the planning stage of the audit was £750,000 which was approximately 2% of the Council's prior year gross expenditure – this had increased due to spend - and it was proposed that an individual difference could normally be considered to be clearly trivial if it was less than £37,000. Page No. 27 of the report set out the background to the Value for Money approach and Members were advised that the 2017/18 Value for Money conclusion had highlighted that the Council must develop a robust savings plan in order to deliver its annual budgets with sufficient capacity to manage its emerging cost pressures over the duration of its Medium Term Financial Strategy (MTFS). Grant Thornton would review the Council's arrangements to establish how it was managing and monitoring those financial risks; review the robustness of its financial plans and the key assumptions supporting the development of the MTFS and savings plans; and understand the extent to which the Council was seeking to identify further income generation opportunities. The annual audit fee was set out at Page No. 28 of the report and Members would be pleased to note that it had reduced significantly from the previous year – whilst this was good for the Council, it also meant there was a need for Grant Thornton to be more efficient and its requirements in terms of meeting the deadline for issuing its opinion were outlined at Page No. 29 of the report. Members were advised that there had been a slight change in relation to the housing benefit certification which had a baseline fee of

£7,795 and represented further savings to the Council.

8.3 Having considered the information provided, it was

RESOLVED That Grant Thornton's Audit Plan 2017/18 be **NOTED**.

A&G.9 STATEMENT OF ACCOUNTING POLICIES

- 9.1 The report of the Head of Finance and Asset Management, circulated at Pages No. 35-56, set out the main changes in accounting policies under the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19. Members were asked to approve the accounting policies to be used in the preparation of the 2018/19 financial statements.
- 9.2 The Finance Manager explained that preparation of the 2018/19 annual statement of accounts would commence the following week. In order to do this, the Council had to review all of its accounting policies to ensure it complied with the Code. Substantial changes to the accounting standards had taken effect from 1 April 2018 in relation to Revenue Recognition and Financial Instruments due to the adoption of International Financial Reporting Standard (IFRS) 15 – Revenue from Contracts with Customers, and IFRS 9 – Financial Instruments. IFRS 15 was relatively minor for Tewkesbury Borough Council and related to changes in the way income was recognised; however, IFRS 9 was likely to have significantly more impact as it brought in a new way to classify financial instruments which looked at how they were accounted for and included potential future losses. Currently, these did not impact on the general fund but this change would mean the value of the fund could fluctuate and this would affect the bottom line. Whilst the Council would still need to account for it, the government had issued a statutory override for pooled funds for five years to avoid the impact on the general fund. IFRS 9 also impacted on the way the Council held instruments but the main change related to forward-looking expected losses i.e. it would be necessary to undertake an assessment of what the Council could potentially lose for every instrument it held. The Finance Manager reiterated this was the biggest change for quite some time and would require a lot of work. In addition, it was noted that the Council had adopted the Community Infrastructure Levy (CIL) in October 2018, with charging commencing on 1 January 2019, so a policy was required to set out the proposed accounting treatment. This was difficult as developers could pay in instalments but the full CIL liability was due at commencement of development, therefore, the full amount should be shown in the accounts at that date.
- 9.3 A Member found IFRS 9 very complicated and, with regard to the general fund, she questioned whether losses would be visible to the public. The Finance Manager confirmed that the income and expenditure accounts would show profit and losses. With regard to CIL, a Member questioned what happened if this money was not received, for instance, if the developer went out of business. In response, the Finance Manager clarified that it was classed as a demand, which had more weight in law than a debt, and the Council would be seen as a preferred creditor should a developer go bankrupt. The Head of Development Services confirmed that the CIL money was required regardless of whether a development was finished; should a developer go out of business, or a development change, there was a conversation to be had but the Council ultimately remained in control of that. The Member queried at what point money was actually allocated to projects and was informed that the governance had not been determined; however, 15% of the total - or 25% if a Neighbourhood Development Plan was in place - was allocated to Parish Councils with the remainder going into the infrastructure pot. CIL was similar to Section 106 in that there was often a lag in payment but it would be distributed on a percentage apportionment so the bulk of it would be determined by a mechanism which the Council would decide – this had not yet been decided by any of the Joint Core Strategy Councils and would be subject to a report to each of the authorities later in

the year. The Member raised concern that CIL had taken effect from January without any governance arrangements in place and the Head of Development Services provided assurance that the governance structure did not need to be set-up at the same time because, whilst CIL charges had been introduced in January, there was no money in the pot for the Council as development had not yet commenced on any of the sites. A decision had been taken to implement CIL in order to start accruing money, had that not happened the Council could potentially have lost £85,000 per month. Notwithstanding this, the governance structure for CIL was essential and she provided assurance that this would come forward later in the year.

9.4 Having considered the information provided, it was

RESOLVED That the accounting policies to be used in the preparation of the 2018/19 financial statements be **NOTED**.

A&G.10 CALL-IN OF OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS

10.1 The report of the Head of Corporate Services, circulated at Pages No. 63-67, updated Members on the progress made in implementing specific internal audit recommendations that had been questioned at previous Audit Committee meetings. Members were asked to consider the report.

10.2 The Head of Corporate Services explained that, at the Audit Committee on 12 December 2018, Members had been concerned that a number of recommendations had not been implemented despite a revised implementation date being agreed and it had been resolved to 'call-in' those recommendations where the implementation date had slipped at least twice. This had applied to five recommendations: homelessness – procurement of storing goods; Winchcombe Tourist Information Centre – lease agreement; recycling – data protocol; business continuity – update of business continuity plan; and Disabled Facilities Grant monitoring. As highlighted at Appendix 1 to the report, of the five recommendations, only the Winchcombe Tourist Information Centre – lease agreement; and recycling – data protocol remained unimplemented. Members were informed that both of the outstanding recommendations would be followed-up by Internal Audit.

10.3 A Member expressed concern that the issue with Winchcombe Tourist Information Centre was an ongoing problem and questioned whether it would be resolved by the end of December 2019 as suggested. The Head of Development Services advised that the issue was that a physical copy of the lease could not be located, therefore, a meeting had been set with the Winchcombe Trust for early April to discuss drafting a new position; it was anticipated that December 2019 was a realistic timescale for completion of the agreement.

10.4 It was

RESOLVED That the progress made in relation to implementing specific internal audit recommendations that had been questioned at the previous Audit Committee meeting be **NOTED**.

A&G.11 INTERNAL AUDIT PLAN MONITORING REPORT

11.1 The report of the Head of Corporate Services, circulated at Pages No. 68-96, was the third monitoring report of the financial year and summarised the work undertaken by the Internal Audit team for the period December 2018 to February 2019. Members were asked to consider the audit work completed and the assurance given on the adequacy of the internal controls operating in the systems audited.

- 11.2 The Head of Corporate Services advised that the full details of the work undertaken in the period were attached at Appendix 1 to the report. It was noted that a 'limited' opinion had been issued on the audits in relation to Ubico client monitoring (budgetary control framework); Community Infrastructure Levy (governance); and the General Data Protection Regulation (privacy notices). A list of audit recommendations that were due to be followed-up could be found at Appendix 2 to the report; of those 15 recommendations, 12 had been implemented, one partially implemented and two were yet to be implemented. Two of the three recommendations which were partially implemented or unimplemented had now been followed-up twice and Officers were in attendance to answer any questions in accordance with the Committee's requirements.
- 11.3 With regard to the Ubico client monitoring audit, Members were advised that a previous audit undertaken in 2016/17 had made a series of recommendations to improve contract monitoring arrangements, therefore, this audit had been carried out as part of the 2018/19 audit plan and the Head of Corporate Services was pleased to report there had been significant improvement. A new set of Key Performance Indicators (KPIs) had been developed and agreed across all of the Ubico partners around the key activities undertaken in waste and recycling services. The KPIs were reported to the various governance boards and to the Council's Overview and Scrutiny Committee on a six monthly basis with the first report presented in January 2019. This did not include KPIs in relation to grounds maintenance which had been developed by a Member Working Group and approved by the Executive Committee earlier in the month. It was noted that there were still some elements of the service which did not have KPIs, for instance, trade waste which was currently being reviewed with a report being taken to the Overview and Scrutiny Committee at the end of the year. Members were informed that a limited opinion had been issued in respect of financial reporting e.g. budget monitoring. Regularity and detail had improved, i.e. a monthly budgeting report was produced and reviewed by the Finance Team which was more detailed than it had been originally and, although there had previously been limited analysis, the report now covered various activities and verbal assurance had been given that there would be further improvements following the appointment of the new Ubico Financial Controller. Notwithstanding this, a detailed review of the latest budget figures had highlighted a number of concerns in relation to the substantial overspend and limited information to explain the position – at the end of quarter three, Ubico had reported a projected overspend of £230,887, which was a significant increase from the previous month, and certain areas were considerably overspent, particularly tyres and Personal Protective Equipment (PPE). With regard to the overspend on PPE, it was noted that this had originally been allocated to a holding account before being fully attributed to Tewkesbury Borough Council which was also concerning. It had since been established that operatives working on the Tewkesbury Borough Council contract had been issued with new higher-specification kit but Tewkesbury Borough Council had not been notified of this nor had Officers been approached to approve the spend. The overspend on tyres was yet to be justified with the next meeting of Senior Officers taking place on 9 April 2019. Members were advised that days would be allocated in the 2019/20 audit plan for any potential internal audit involvement, should that be required following those Officer discussions.
- 11.4 A Member questioned whether the Council had been given any indication that there would be an overspend. In response, the Finance Manager explained that the projected full-year outturn in December 2018 had shown a £153,000 overspend but just a month later this had increased to £230,000 with the outturn for the end of February 2019 at £267,000 – there was an expectation that the projection would be consistent and Officers needed to know why it had changed so significantly in such a short space of time. The Member indicated that she had real concerns about this, particularly as the full year outturn could be even worse, and questions needed to

be asked. Another Member welcomed the new KPIs that had been put in place and felt that was the best way to ensure the company stayed on target; however, he too was very concerned with what he had heard and felt that senior management initially needed to discuss the issues with Ubico but that should be followed by a full audit. A Member did not understand why Ubico could not work within a budget as the costs seemed to be for fairly standard, predictable items e.g. tyres, equipment. This would not be happening if the service was still provided in-house so she felt that Officers needed to take more control. The Finance Manager advised that senior managers had written a letter to the Ubico Managing Director giving a deadline of 29 March to provide a full, robust explanation of the overspends. She assured Members that Officers were working hard to address the issues and were hopeful they could be resolved. She agreed that it was necessary to understand the budget and stressed that the invoices related to the overspends would not be paid until they had been accounted for.

- 11.5 A Member questioned whether other Ubico partners had experienced similar problems and at what point Members would be made aware of the results of the conversations between Officers and Ubico – in her view, it needed to be discussed at a Council meeting. The Borough Solicitor clarified that Ubico was a teckal company, of which Tewkesbury Borough Council was a shareholder, and it was necessary to establish what had happened on this occasion and put in place mechanisms to ensure that it did not happen again; clearly this should not have happened but it needed to be managed in the proper way and she did not feel there would be any merit in the issue being discussed at Council at this stage. The Finance Manager indicated that, as a shareholder, Tewkesbury Borough Council had the power to change things and Officers had confidence in the Ubico Financial Controller who understood the issues and wanted to work with them. In terms of other authorities, she reminded Members that Tewkesbury Borough Council was one of seven partners and financial information from each was reported to the Joint Waste Team. The Head of Corporate Services reiterated that there would be more internal audit work to do around the Ubico contract and days would be allocated in the audit plan following the conversations between Ubico and the relevant Officers. A report would be brought back to the Committee in July when the data for quarter one of 2019/20 would be available. The Chair indicated that this was the last Audit and Governance Committee meeting of the current Council term, and the Committee may not have the same membership going forward, so she felt it should be recommended to the new Committee that this be made a priority.
- 11.6 The Head of Corporate Services advised that an audit had been carried out in relation to the serious and organised crime framework and it was noted that the checklist had been presented at the last Audit Committee meeting. This was a national initiative and it was a priority to audit key risk areas such as HR, finance, procurement and regulatory functions e.g. licensing and housing; this was included in the audit plan for the next six months. The audit had resulted in recommendations around raising awareness of key policies such as the Whistleblowing and Bullying and Harassment Policies. This would continue with the Gifts and Hospitality Policy which was currently being reviewed, the outcomes of which would be presented to the Committee in the six monthly update. Staff awareness of the policies would be supported by bi-annual reminders of the policy documents. The Home Office made reference to training for staff to recognise indicators of Officers working under duress or potential corruption and a recommendation had been made to complete an assessment of staff roles where this training would be beneficial. With regard to HR and pre-employment/vetting checks, it was noted that Officers collected all of the required information but it was recommended that consideration be given to providing them with training to identify fraudulent IDs and documentation. In addition, it was recommended that consideration also be given to whether certain roles required additional checks, for instance, credit checks. Members were advised that the secondary employment

form was part of the Council's Code of Conduct and outlined expectations placed on Officers in terms of behaviours inside and outside the workplace. One recommendation was that the Code of Conduct form should be amended to require staff to sign to demonstrate they had understood what they had read and would comply with the Code and that this should be rolled-out to all employees. Another aspect of the audit had considered whether staff were able to raise concerns in confidence. It was noted that there was a Whistleblowing Policy in place and whilst, training had been provided to staff as part of a general programme, it was recommended that more specific training should be carried out for staff and Members in relation to the type of concerns that should be raised and to provide assurance that they would be dealt with appropriately. This would be taken into account as part of the review of the Whistleblowing Policy being carried out by the Counter Fraud Unit on behalf of the Council.

- 11.7 Members were informed that, although the Community Infrastructure Levy (CIL) audit had been given a limited opinion, this had been taken positively by the Head of Development Services who welcomed the value added by the recommendations which had been taken forward into an action plan. As CIL was now being collected, it was important to agree a methodology for managing it, for example, Tewkesbury Borough Council was the recommended administrator for all three Joint Core Strategy authorities. Whilst a new database had been purchased to manage the CIL function - and its functionality had been assessed as part of the audit - there were some issues in terms of lack of co-ordination to ensure that the basis of the work was effective, for example, monitoring procedures, reconciliation etc. In response to the audit, a CIL Working Group had been established to take forward the audit recommendations in relation to the operational practices, and potentially to consider the Regulation 123 list which defined where funding for particular projects would be sourced i.e. through Section 106 monies or CIL income. A Member questioned who sat on the Working Group and was advised it was an Officer group with representation from all departments involved with CIL i.e. Planning, One Legal, Revenues and Benefits and Finance. In response to a query as to when this would be considered by Members, the Head of Development Services explained that this was about the operational elements and physical receipt of the money; the governance would be taken to the Executive Committee in due course. The Head of Corporate Services confirmed that internal audit followed-up an audits which had been given a limited opinion so this would be brought back to the Audit and Governance Committee. A Member drew attention to Page No. 81 of the report which set out that a demand notice for CIL income had been issued on 18 February 2019 and she questioned which of the authorities this had been issued by. The Head of Development Services confirmed this had been issued by Tewkesbury Borough Council but the actual amount on the notice was zero as it related to a self-build property which qualified for relief; she clarified that no CIL money had been received to date.
- 11.8 Members were informed that the General Data Protection Regulation audit had also been given a limited opinion as a review of the privacy notices on the Council's website had identified that some aspects of the Council's services were not covered - for example, online forms, safeguarding, procurement - and it was recommended that a full review of the notices be undertaken. The Head of Corporate Services went on to advise that the Internal Audit team also carried out corporate improvement work and Page No. 88 of the report gave a brief overview of what had been done during the period in relation to business continuity, the pool car scheme and a homeless waiver.
- 11.9 Attention was drawn to Appendix 2 to the report and Members were advised that this was generally positive; however, two recommendations were outstanding. The first related to the Disabled Facilities Grants audit and obtaining evidence of completion of the Severn Vale Housing works and Members were informed that the Head of Community Services had provided an email from Bromford (previously

Severn Vale) confirming that all works had been carried out and installed with the original proposals; however, this was insufficient and further verification was required e.g. installation certificates. The second was a recommendation arising from the complaints audit which required the Council's data sharing protocol with the County Council to be updated and it was noted that this had been given a new deadline of September 2019.

11.10 Having considered the information provided, and views expressed, it was

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

A&G.12 INTERNAL AUDIT SIX MONTH PLAN 2019/20

12.1 The report of the Head of Corporate Services, circulated at Pages No. 97-102, set out the proposed Internal Audit Plan for April to September 2019. Members were asked to approve the six month plan as set out at Appendix 1 to the report.

12.2 The Head of Corporate Services advised that the Internal Audit Plan provided a total of 200 productive days and was delivered by two full-time equivalent members of staff. Particular reference was made to the 15 days allocated for the General Data Protection Regulation and 10 days allocated to the serious and organised crime framework which would include working with licensing. It was noted that 30 days had been allocated for corporate improvement and 20 days for the corporate risk register - this informed a lot of internal audit work therefore it was important to give assurance that the information it contained was correct and that the mitigating controls were in place and working. In terms of specific service areas, days had been allocated to Ubico, ICT, Disabled Facilities Grants and the Housing Benefit subsidy. A number of days had also been set aside for ongoing work to implement the team's Quality Assurance and Improvement Programme which included the peer review of individual audit assignments and supporting documentation. There would also be training for new Members, following the local elections in May, and the team would look at income streams around internal audit as well as providing consultancy and advice and sitting on corporate groups. Follow-up reviews were an important aspect of internal audit work and 15 days had been allocated for this purpose in the six month period.

12.3 It was

RESOLVED That the Internal Audit Six Month Plan be **APPROVED** as set out at Appendix 1 to the report.

A&G.13 MONITORING OF SIGNIFICANT GOVERNANCE ISSUES

13.1 The report of the Borough Solicitor, circulated at Pages No. 103-110, set out the Significant Governance Issues and the action to be taken to address them as identified in the Council's Annual Governance Statement. Members were asked to consider the progress made against those issues.

13.2 Members were advised that the table set out at Appendix 1 to the report comprised the Significant Governance Issues and the proposed actions and timescales for completion, with a further column indicating the progress as at 1 March 2019. The Borough Solicitor confirmed that she was confident all actions would be completed in accordance with the timescales set out. It was

RESOLVED That progress against the Significant Governance Issues identified in the Council's Annual Governance Statement be **NOTED**.

A&G.14 CORPORATE RISK REGISTER

- 14.1 The report of the Head of Corporate Services, circulated at Pages No. 111-126, asked Members to consider the risks contained within the Corporate Risk Register and assurance that the risks were being effectively managed.
- 14.2 Members were advised the Council had a risk management strategy in place which formalised the risk management arrangements and set out the risk management approach around the identification, analysis, prioritisation and management of risk. A key element of the strategy was the maintenance of a Corporate Risk Register that captured the Council's key corporate risks. The Risk Management Strategy had been brought to the Audit Committee in December 2018 and was subsequently approved by the Executive Committee in January 2019. The scoring in the Corporate Risk Register was based on three stages: gross risk score – the inherent risk without any mitigating controls in place; current risk score – the assessed risk after the application of controls; and target risk scores – proposed risk score by applying future controls if the current risk score was deemed to be too high). The Corporate Risk Register included a column for mitigating controls to demonstrate that the measures in place were working effectively and any additional mitigation required was set out in the 'identified risk management action points' column; this would be used to inform the Internal Audit Plan moving forward. The Corporate Risk Register was presented to the Corporate Management Team on a monthly basis and was further reviewed by the Corporate Governance Group on a quarterly basis.
- 14.3 It was noted that a new risk had been put forward by the Counter Fraud Unit in relation to the Council's fraud and corruption framework which was considered to be well-managed but would be kept under review. Another new risk had been added following a meeting of the Corporate Management Team around the uncertainty over Brexit and the potential adverse impact on Council services and communities - as this was so uncertain, it was unclear how this risk could be managed but a plethora of information was available from national and regional agencies and key action points had been identified in terms of ongoing participation in the multi-agency network, supporting small businesses through the Growth Hub, the Gloucestershire local Resilience Forum undertaking an audit of countywide fuel storage capacity and an assessment of data storage.
- 14.4 It was
- RESOLVED** That the risks contained within the Corporate Risk Register be **NOTED**.

The meeting closed at 3:57 pm

TEWKESBURY BOROUGH COUNCIL

Minutes of a Meeting of the Audit and Governance Committee held at the Council Offices, Gloucester Road, Tewkesbury on Tuesday, 28 May 2019 commencing at 6:15 pm

Present:

Chair
Vice Chair

Councillor V D Smith
Councillor H C McLain

and Councillors:

C M Cody, K J Cromwell, L A Gerrard, P A Godwin, P D McLain, H S Munro and P E Smith

A&G.1 ELECTION OF CHAIR

1.1 The Mayor opened the meeting by seeking nominations for the Chairmanship of the Committee.

1.2 It was proposed and seconded that Councillor V D Smith be nominated as Chair of the Committee. Upon being put to the vote it was

RESOLVED That Councillor V D Smith be elected as Chair of the Audit and Governance Committee for the ensuing Municipal Year.

A&G.1 APPOINTMENT OF VICE-CHAIR

2.1 Councillor V D Smith took the chair and invited nominations for Vice-Chair of the Committee.

2.2 It was proposed and seconded that Councillor H C McLain be nominated as Vice-Chair of the Committee. Upon being put to the vote it was

RESOLVED That Councillor H C McLain be appointed as Vice-Chair of the Audit and Governance Committee for the ensuing Municipal Year.

The meeting closed at 6:20 pm

AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

Addition to 24 July 2019

- Audit and Governance Committee Annual Report 2018/19

Deletion from 24 July 2019

-

Committee Date: 18 September 2019

Agenda Item	Overview of Agenda Item	Lead Officer	Has agenda item previously been deferred? Details and date of deferment required
Annual Audit Letter 2018/19	To consider the external auditors' Audit Letter 2018/19.	External Auditors.	No – Brought forward in line with new deadlines for the Statement of Accounts.
Annual Report on Health and Safety Activities	To consider the adequacy of the Council's health and safety arrangements.	Head of Community Services.	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.	Head of Corporate Services.	No.
Internal Audit Six Month Plan 2019/20	To approve the Internal Audit Six Month Plan 2019/20 (Oct-Mar).	Head of Corporate Services.	No.
Monitoring of Significant Governance Issues	To consider the monitoring report on the Significant Governance Issues identified in the Annual Governance Statement and to review progress against the actions.	Borough Solicitor.	No.
Corporate Risk Register	To consider the risk register and the risks contained within it.	Head of Corporate Services.	No.

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Agenda Item 5

NB – Changes from previous work programme highlighted in bold

Committee Date: 11 December 2019			
Agenda Item	Overview of Agenda Item	Lead Officer	Has agenda item previously been deferred? Details and date of deferment required
External Auditor's Progress Report	To consider the external auditors' report on progress against planned outputs.	External Auditors.	No.
External Auditor's Certification Year End Letter March 2019	To consider the certification year-end letter March 2019.	External Auditors.	No.
Internal Audit Plan Monitoring Report	To consider the Internal Audit work undertaken and the assurance given on the adequacy of internal controls operating in the systems audited.	Head of Corporate Services.	No.
Monitoring of Significant Governance Issues	To consider the monitoring report on the Significant Governance Issues identified in the Annual Governance Statement and to review progress against the actions.	Borough Solicitor.	No.
Counter Fraud Unit Update	To consider the six monthly update from the Counter Fraud Unit.	Head of Finance and Asset Management / Counter Fraud Manager.	No.
Corporate Risk Register	To consider the risk register and the risks contained within it.	Head of Corporate Services.	No.

Committee Date: 25 March 2020

Agenda Item	Overview of Agenda Item	Lead Officer	Has agenda item previously been deferred? Details and date of deferment required
External Auditor's Certification Year End Letter March 2019	To consider the certification year-end letter March 2019.	External Auditors.	No.
External Auditor's Progress Report	To consider the external auditors' report on progress against planned outputs.	External Auditors.	No.
External Auditor's Audit Plan 2019/20	To consider the external auditors' Audit Plan 2019/20.	External Auditors.	No.
Statement of Accounting Policies	To approve the accounting policies to be used during the 2018/19 closedown.	Finance Manager.	No.
Critical Judgements and Assumptions Made During the Preparation of the Statement of Accounts	To approve the critical accounting judgements that will be used in completing the 2018/19 annual accounts and to note the key sources of estimation uncertainty.	Finance Manager.	No.
Internal Audit Plan Monitoring Report	To consider the Internal Audit work undertaken and the assurance given on the adequacy of internal controls operating in the systems audited.	Head of Corporate Services.	No.
Internal Audit Six Month Plan 2020/21	To approve the Internal Audit Six Month Plan 2020/21 (Apr-Sept).	Head of Corporate Services.	No.
Monitoring of Significant Governance Issues	To consider the monitoring report on the Significant Governance Issues identified in the Annual Governance Statement and to review progress against the actions.	Borough Solicitor.	No.

Committee Date: 25 March 2020

Agenda Item	Overview of Agenda Item	Lead Officer	Has agenda item previously been deferred? Details and date of deferment required
Annual Update on Council's Safeguarding Arrangements	Annual report to give assurance as to the level of the Council's compliance with its safeguarding duty. (To include Gloucestershire Safeguarding Children Board Section 11 Self-Assessment)	Head of Community Services.	No.
Internal Audit Peer Review Update	To receive an update on the progress made in implementing the recommendations arising from the independent review of Internal Audit.	Head of Corporate Services.	No.
Corporate Risk Register	To consider the risk register and the risks contained within it.	Head of Corporate Services.	No.

Committee Date: July 2019			
Agenda Item	Overview of Agenda Item	Lead Officer	Has agenda item previously been deferred? Details and date of deferment required
Counter-Fraud Unit Report	To consider the annual update on the work of the Counter Fraud Team.	Head of Finance and Asset Management / Counter Fraud Manager.	No.
External Auditor's Audit Findings	To consider the external auditors' Audit Findings 2019/20.	External Auditors.	No.
Letter of Representation	To consider the S151 Officer's Letter of Representation on the closure of the accounts for the year ended 31 March 2020.	Head of Finance and Asset Management	No.
Statement of Accounts 2019/20	To approve the Statement of Accounts 2019/20.	Head of Finance and Asset Management.	No.
External Auditor's Fee Letters 2020/21	To consider the external auditors' fee letter in relation to the audit work to be undertaken during 2020/21.	External Auditors.	No.
Internal Audit Plan Monitoring Report	To consider the Internal Audit work undertaken and the assurance given on the adequacy of internal controls operating in the systems audited.	Head of Corporate Services.	No.
Internal Audit Annual Report 2019/20	To consider the Internal Audit Annual Report 2019/20 and the assurance from the work undertaken during the year on the level of internal control within the systems audited during the year.	Head of Corporate Services.	No.

Committee Date: July 2019			
Agenda Item	Overview of Agenda Item	Lead Officer	Has agenda item previously been deferred? Details and date of deferment required
Annual Governance Statement 2019/20	To approve the Annual Governance Statement 2019/20.	Borough Solicitor.	No.
Corporate Risk Register	To consider the risk register and the risks contained within it.	Head of Corporate Services.	No.
Audit and Governance Committee Annual Report 2018/19	To approve the Audit and Governance Committee Annual Report 2018.19	Head of Corporate Services.	No.

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OTHER ITEMS			
Agenda Item	Overview of Agenda Item	Lead Officer	Comments

NB – Changes from previous work programme highlighted in bold

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit and Governance Committee
Date of Meeting:	24 July 2019
Subject:	Counter Fraud Unit Report
Report of:	Head of Finance and Asset Management
Corporate Lead:	Deputy Chief Executive
Lead Member:	Lead Member for Corporate Governance
Number of Appendices:	2

Executive Summary:

To provide the Audit and Governance Committee with assurance over the counter fraud activities of the Council.

Work plans are presented to the Audit and Governance Committee detailing progress and results for consideration and comment as the body charged with governance in this area.

The Counter Fraud Unit will continue to provide Audit and Governance Committee with direct updates biannually, for Tewkesbury Borough Council this will be at the July and December meetings.

Recommendation:

To CONSIDER the report and make comment as necessary.

Reasons for Recommendation:

The Audit and Governance Committee oversees the Council's counter fraud arrangements and it is therefore appropriate for the Committee to be updated in relation to counter fraud activity.

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.

Resource Implications:

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

Legal Implications:

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

The Counter Fraud Unit adheres to the appropriate legislation when conducting work on behalf of the Council and other partners.

Risk Management Implications:

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

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

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

Performance Management Follow-up:

Regular updates are provided by the Counter Fraud Manager to the Head of Finance and Asset Management and the Head of Corporate Services. Biannual reports in relation to counter fraud work will be made to the Audit and Governance Committee.

Internal Audit and the Counter Fraud Unit have a formalised protocol and now meet quarterly to review the current work plan and assess any areas of risk.

Policy documentation will be presented when required to the Management Team.

Environmental Implications:

Not applicable.

1.0 INTRODUCTION/BACKGROUND

- 1.1 The Audit and Governance Committee oversees the Council's counter fraud arrangements and it is therefore appropriate for the Committee to be updated in relation to counter fraud activity.
- 1.2 The work plan for 2018/19 was developed with focus on the priorities set out in the Home Office UK Anti-Corruption Strategy 2017 – 2022. Corporately, the team has focussed on promoting integrity across the public sector through awareness training and by raising the profile of the Counter Fraud Unit.
- 1.3 Work has commenced on the Home Office Bribery and Corruption Assessment. The template takes the organisation through a number of key questions to consider and better understand the threat and how the Council can mitigate the risks. Completion of the assessment is also being informed by Internal Audit.
- 1.4 In 2019/20, focus will also move to reducing corruption in public procurement and the team will be working with Officers to review risks.
- 1.5 Regular updates are provided by the Counter Fraud Manager to the Chief Finance Officer. Internal Audit and the Counter Fraud Unit have a formalised protocol and now meet quarterly to review the current work plan and assess any areas of risk.

1.6 Policy documentation will be presented when required to the Management Team.

2.0 WORK PROGRAMME 2019/20 & RESULTS

2.1 Attached at Appendix 1 is a copy of the work plan for 2019/20.

2.2 In addition to Appendix 1, as a dedicated investigatory support service, the Counter Fraud Unit undertakes a wide range of enforcement work according to the requirements of each Council. This includes criminal investigation and prosecution support for enforcement teams, investigations into staff/member fraud and corruption, or tenancy and housing fraud investigation work. During Quarter 1:

- The Counter Fraud Unit has been tasked with undertaking the investigation of alleged fraud and abuse in relation to the Council Tax Reduction Scheme (Council Tax Support) and are the single point of contact for Department for Work and Pensions (DWP) Housing Benefit investigations. The team received 13 referrals and closed 12 cases.

This has resulted in 3 Civil Penalties totalling £170 being administered and 4 Criminal Penalties totalling £1,468 being applied. Incorrectly paid Council Tax Support totalling £3,270, and Housing Benefit overpayments totalling £3,557, have been calculated.

- Further to the recommencement of joint working with the DWP, to enable a joined-up approach to investigation and sanction of cases involving Housing Benefit and Council Tax Reduction, the team has processed 37 enquiries for the DWP, referred 9 cases and received 3 requests for joint working from the DWP.
- As a result of the National Fraud Initiative Work undertaken in 2017/18, a joint case with DWP has now been closed. There will be no further action; however, the overpayments total £36,712. This is made up of Housing and Council Tax Benefit, Council Tax Support, Council Tax (Single Person Discount) and Discretionary Housing Payments.
- The team undertake disciplinary investigations when requested. One case has been referred and is now closed, the case was not proved.
- Full review of the Rating List - the Rating List is compiled by the Valuation Office Agency (VOA), but Tewkesbury Borough Council has a statutory duty to provide the Listing Officer with any information required to assist in the compilation and maintenance of the Rating List.

The Revenues and Benefits Manager has commissioned this piece of work as she considers there is additional income from business rates which will be identified through undertaking a full review of the Rating List. The work undertaken by the Counter Fraud Unit supports the Revenues' Inspection Officers who have been concentrating on Council Tax in order to maximise income from Council Tax and New Homes Bonus.

Since the last report, a further £19,940 has been identified as additional/accelerated income and it is anticipated this figure will increase once cases referred to the VOA have been processed and referred back to us.

2.3 Attached at Appendix 2 is a copy of the work plan and results for 2018/19.

- Since the last report to the Audit and Governance Committee, as above, the team have been given responsibility for the investigation of alleged fraud and abuse in relation to the Council Tax Reduction Scheme (Council Tax Support) and the single point of contact work for DWP Housing Benefit investigations. The team received 45 referrals and closed 26 cases.

This has resulted in 7 Civil Penalties totalling £430 being administered and 1 Criminal Penalty totalling £729 being applied. Incorrectly paid Council Tax Support totalling £4,184 and Housing Benefit overpayments totalling £5,783 have been calculated.

The team processed 170 enquiries for the Department for Work and Pensions.

3.0 OTHER OPTIONS CONSIDERED

3.1 None

4.0 CONSULTATION

4.1 Work plans for 2019/20 have been agreed with the Head of Finance and Asset Management and the Head of Corporate Services.

5.0 RELEVANT COUNCIL POLICIES/STRATEGIES

5.1 Counter Fraud and Anti-Corruption Policy.

6.0 RELEVANT GOVERNMENT POLICIES

6.1 None

7.0 RESOURCE IMPLICATIONS (Human/Property)

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

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

8.1 This is a positive example of joint working across the county. The existence of counter fraud activity acts as a deterrent to the abuse of public funds which impacts positively on the economy and local demographic.

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

9.1 The service is a shared one across the county and, as such, overheads and management costs are also shared equally meaning there is increased value for money.

10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

10.1 Counter Fraud and Anti-Corruption Policy approved at Executive Committee in October 2016.

Background Papers: Report to Council January 2017; Counter Fraud Unit Business Case.

Contact Officer: Counter Fraud Manager
01285 623356

Appendices: Appendix 1 – Work Plan 2019/20
Appendix 2 – Work Plan 2018/19

Department / Contact	Task	Dates / Notes
Corporate / Strategy	Delivery of two reports for Audit and Risk Committee	July and December
Corporate / Strategy	RIPA Coordinator Role - Review of Policies / annual report to Members / advisory role for staff	One Legal to take forward
Corporate / Strategy	Home Office Serious and Organised Crime Checklist and accompanying work plan	Training to be provided to staff as per checklist
Corporate / Strategy	Home Office Bribery and Corruption Assessment Template and accompanying work plan	To include SOC Audit Rec LPC1 R3
Corporate / Strategy	Staff and Member Fraud Awareness Sessions	Dates to be agreed
Corporate / Strategy	Development / Review of Fraud Response Plan	SOC Consideration
Corporate / Strategy	Review Corporate Risk Register / Identify Service Area Fraud Risks	
Corporate / Strategy	Development of fraud awareness literature for staff and members	August
Corporate / Strategy	Development of Right to Buy / debt recovery process	
Corporate / Strategy	Development of work with Planning / Public Protection Enforcement & Enforcement Officer training	
Corporate / Strategy	Collation and Publication of Fraud Transparency Data	
Procurement	Review of procurement and contract strategy	To include SOC Audit Detail re Procurement
Procurement	Supplier Payment Review	
Internal Audit / HR	Policy and Procedure: Staff Declarations of Interest / Conflicts of Interest	To include SOC Audit Rec OP2 R8
Internal Audit / HR	Review of HR Recruitment and Vetting Policy and Procedures	To include SOC Audit Rec OP1 R4
Internal Audit / HR	Review of the Gifts and Hospitality Policy and Procedure	
Policy	Drafting / consultation / adoption of Corporate Enforcement Policy	Draft to be circulated by October
Policy	Drafting / consultation / adoption of Money Laundering Policy	
Policy	Revision Whistle Blowing Policy	Draft to be circulated by October - to include SOC Audit Rec SPE1 R9
Revenues and Benefits	Housing Benefit Matching Service Referrals - triage and recommendations	1 day per month
Revenues and Benefits	National Fraud Initiative (NFI) Data Match Review	
Housing	Review of the Housing List and related NFI matches	September

Department / Area	Task	Member Update
Corporate / Strategy	Delivery of two reports for Audit (and Risk) Committee	July / December
Corporate / Strategy	RIPA - Review of Policies / annual report to Members / advisory role for staff (tbc)	One Legal to take forward
Corporate / Strategy	Serious and Organised Crime: Coordination of the provision of work for Gloucestershire Constabulary	SOC Strategic Partnership Board attended by CFU on behalf of FOD
Corporate / Strategy	Completion and follow up of Home Office Serious and Organised Crime Checklist	Checklist presented to Audit and Governance Committee with work plan
Corporate / Strategy	Completion of Home Office Bribery and Corruption Assessment Template	Work commenced with Internal Audit - to 2019/2020 work plan
Corporate / Strategy	Development of work with Planning Enforcement / Public Protection Enforcement	2019/2020 work plan
Corporate / Strategy	Staff Fraud Awareness Sessions	Completed
Planning / Public Protection	Enforcement Officer Training	2019/2020 work plan
Housing	Review of supported living services / care in rented accommodation	Work to be undertaken by Housing / Benefit Managers County wide
Housing	Review of the Housing List and related National Fraud Initiative data matches	Completed - 937 applications reviewed. 146 recommended for removal or rebanding
HR	Drafting / consultation / implementation of HR / CFU Internal Investigation Protocol	Complete
HR	Review of Policy and Procedure: Staff Declarations of Interest / Conflicts of Interest	Work commenced with Internal Audit - to 2019/2020 work plan
HR	Review of HR Recruitment and Vetting Policy and Procedures	Work commenced with HR / Internal Audit - to 2019/2020 work plan
ICT / Revenues and Benefits	Earthlight / GIS Support: Rate Avoidance / Council Tax Evasion	-
Policy	Drafting / consultation / adoption of Corporate Enforcement Policy	Draft issued, consultation period
Policy	Drafting / consultation / adoption of Money Laundering Policy	2019/2020 work plan
Policy	Drafting / consultation / adoption of Debt Recovery Policy	Pending
Revenues	Assistance if required re empty property visits	Not required
Revenues and Benefits	Coordination of joint working initiative with Department for Work and Pensions for future joint investigation of Housing Benefit and Council Tax Reduction Scheme	Complete November 2018
Internal Audit / HR	Review of the Gifts and Hospitality Policy and Procedure	Work commenced with Internal Audit - to 2019/2020 work plan

Department	Member Update	
Extraordinary Cases: Investigation / Sanction / Prosecution	Q1	2 opened (Environmental Health) / 1 closed (Environmental Health)
	Q2	1 closed (Environmental Health)
	Q3	0
	Q4	0
Revenues and Benefits: Investigation Cases - Rate Avoidance / Council Tax Evasion	Q1	0
	Q2	1 case opened
	Q3	0
	Q4	0
Housing - Investigation Cases - Fraudulent Housing / Homeless Applications	Q1	0
	Q2	0
	Q3	0
	Q4	0
HR - Internal investigation relating to serious and / or gross misconduct	Q1	1 case opened
	Q2	1 case closed - No formal action
	Q3	0
	Q4	0
CTRS Investigation/ Sanction / Prosecution	Q1	0
	Q2	6
	Q3	18 cases opened / 11 cases closed - 2 HB Civil Penalties (£100) and 3 CTRS Civil Penalties (£210) HB Overpayments £1,747 and incorrect CTRS £1,095
	Q4	27 cases opened / 15 cases closed - 1 HB Civil Penalties (£50), 1 CTRS Civil Penalty (£70) and 1 CTRS Criminal Penalty (£729) HB Overpayments £4,036 and incorrect CTRS £3,089
Debt: Tracing and Recovery Support	Q1	1
	Q2	0
	Q3	0
	Q4	0
Revenues and Benefits: Full Review of the rating list	1504 visits	
Referrals processed - DWP (SPoC) Role / DWP Administrative Penalty Review	Q1	0
	Q2	2 - DWP

	Q3	30 - DWP
	Q4	140 - DWP

The Audit Findings for Tewkesbury Borough Council

Year ended 31 March 2019

15 July 2019



Contents



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Section

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2. Financial statements
3. Value for money
4. Independence and ethics

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Appendices

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

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 for the purpose of expressing our opinion on the financial statements. 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 control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Tewkesbury Borough Council Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2019 for those charged with governance.

29	<p>Financial Statements</p> <p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:</p> <ul style="list-style-type: none"> • give a true and fair view of the financial position of the Council and its income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during June & July. Our findings are summarised on pages 3 to 14. Based on our work to date, we have identified one adjustment to the financial statements that have resulted in a £Nil adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion [Appendix E] or material changes to the financial statements, subject to the following outstanding matters;</p> <ul style="list-style-type: none"> - Further audit work on specific areas; (see page 14) - File completion steps including final review processes; - receipt of management representation letter; and - review of the final set of financial statements. <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.</p> <p>Our anticipated audit report opinion will be unmodified.</p>
	<p>Value for Money arrangements</p> <p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').</p>	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Tewkesbury Borough Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix E. Our findings are summarised on pages 15 to 18.</p>
	<p>Statutory duties</p> <p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • To certify the closure of the audit. 	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>

Acknowledgements

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.

Summary

Overview of the scope of our audit

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

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

Audit approach

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

- An evaluation of the Council's internal controls environment, including its IT systems and controls;

- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter or change our audit plan, as communicated to you in March 2019.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion, as detailed in Appendix E. These outstanding items are detailed further on page 14.

Our approach to materiality

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

Materiality calculations remain the same as reported in our audit plan We detail in the table below our determination of materiality for Tewkesbury Borough Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	750,000	<ul style="list-style-type: none"> • The council is operating at a surplus on provision of services and the internal control system is deemed to be sound.
Performance materiality	562,000	<ul style="list-style-type: none"> • Staffing of the finance team has remained consistent and there were not significant issues identified in the previous reporting period.
Trivial matters	37,500	<ul style="list-style-type: none"> • Amounts relevant both to our materiality and the council's own concept have been considered.

Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
<p>1 The revenue cycle included fraudulent transactions</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Auditor commentary</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Tewkesbury Borough Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Tewkesbury Borough Council.</p>
<p>There have been no changes to our assessment as reported in our Audit Plan.</p>	
<p>2 Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance. Management over-ride of controls is a risk requiring special audit consideration.</p>	<p>Auditor commentary</p> <p>We have:</p> <ul style="list-style-type: none"> • gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness; • obtained a full listing of journal entries and identified and subsequently tested any unusual journal entries for appropriateness; and • evaluated the rationale for any changes in accounting policies and any significant unusual transactions or estimates. • Reviewed significant related party transactions outside the normal course of business.
<p>Our audit work has not identified any issues in respect of management override of controls.</p>	

Significant findings – audit risks

Risks identified in our Audit Plan

Commentary

3

Valuation of Property, Plant and Equipment

The Council revalues its land and buildings each year to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements. We identified the valuation of land and buildings revaluations as a risk requiring special audit consideration.

Auditor commentary

We performed the following work:

- reviewed management's processes and assumptions for the calculation of the estimate.
- reviewed the competence, expertise and objectivity of any management experts used.
- reviewed the instructions issued to valuation experts and the scope of their work
- held discussions with the valuer about the valuation basis, challenging the key assumptions.
- reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding.
- tested revaluations made during the year to ensure they were input correctly into the Council's asset register
- evaluated the assumptions made by management for any assets not revalued during the year and how management satisfied themselves that these were not materially different to current value.
- Confirmed that the prior period adjustment to two of the council's assets was appropriate and tested the revalued amounts were appropriately accounted for.

Our audit work to date has not identified any issues in respect of property, plant and equipment valuations. Our audit work is still ongoing in respect of some of our enquiries of the valuer in relation to understanding the movement in value of a number of the Council's properties.

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Valuation of pension fund net liability

The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements. We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.

Auditor commentary

We:

- identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement;
- evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuations and gained an understanding of the basis on which the valuations were carried out;
- undertook procedures to confirm the reasonableness of the actuarial assumptions made;
- checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial reports; and
- gained assurances over the data provided to the actuary to ensure it was robust and consistent with our understanding.

Our audit work in this area is still ongoing as we await the outcome and potential impact of the McCloud judgement and the receipt and review of the Pension Fund auditor assurances.

Significant findings - other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant control deficiencies identified during the year.

Issue	Commentary	Auditor view
<p>1 Fees & Charges testing</p> <p>As part of our testing of the Council's key revenue streams, we selected a sample of fees and charges to test.</p>	<ul style="list-style-type: none"> • Within our sample, we identified that one item, caravan club fees for 2019 had been included in the 2018-19 revenue balances in full (£45,000), when the majority of the balance (£33,986) related to 2019/20 and therefore should have been allocated as a receipt in advance. When extrapolated this gave a projected material error. • We undertook an extended sample of Fees and charges in order to reduce the extrapolated error. We tested a further 16 items at a value of £2.68m and did not identify any further errors in our testing. Our projected error was then reduced to an amount below performance materiality. 	<p>We recommend that a review is undertaken over the process for apportioning invoices close to year end, in order that they are appropriately allocated to the correct period. See Appendix A for associated action plan.</p>
<p>2 Cash flow statement</p> <p>On review of the Cash Flow statement and the Movement in reserves statement, we identified a few errors, which led to management reviewing their cashflow statement. On review, they realised that the cashflow statement was not correct, and therefore have restated their cashflow.</p>	<ul style="list-style-type: none"> • We have reviewed the updated cashflow statement and there is one £25,000 item that cannot be verified to supporting evidence. We have raised a control point in relation to this in Appendix A. 	<p>Auditor view</p> <p>We recommend that a retrospective review of this year's cash flow is undertaken in order to ensure that all items are able to be verified in future periods.</p>
<p>3 Potential impact of the McCloud judgement</p> <p>The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.</p> <p>The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy.</p> <p>The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for pension funds, but also for other pension schemes where they have implemented transitional arrangements on changing benefits.</p>	<p>Discussion is ongoing in the sector regarding the potential impact of the ruling on the financial statements of Local Government bodies.</p> <p>Based on an assessment of the Gloucestershire Pension Fund, management's view is that the impact of the ruling is not material for the Council, and will be considered for future years' actuarial valuations.</p> <p>The Council has requested a more detailed estimate from its actuary of the potential impact of the McCloud ruling for Tewkesbury Council. At the time of writing, we are awaiting this assessment from the actuary.</p>	<p>Auditor view</p> <p>We will undertake a review of the actuary's calculations once this impact assessment has been provided to the Council. In addition, out internal actuaries are undertaken direct enquiries with the actuary to understand the methodology used to derive its best estimate of the impact to the Council.</p> <p>These enquiries are ongoing and we will provide the Audit & Governance committee an update at the time of the committee.</p>

Significant findings – key judgements and estimates

Accounting area	Summary of management’s policy	Audit Comments	Assessment
Provisions for NNDR appeals - £6.368m	<p>The Council are responsible for repaying a proportion of successful rateable value appeals. Management calculates the level of provision required. Tewkesbury’s calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. Due to an increase in outstanding appeals, the provision has increased by £2.405m in 2018/19.</p>	<ul style="list-style-type: none"> • We have assessed the appropriateness of the underlying information used to determine the estimate; • We have reviewed the impact of any changes to valuation method; • Reviewed the reasonableness of increase in estimate; and • Confirmed the adequacy of disclosure of the estimate in the financial statements. 	
Our work in this area is still ongoing at the time of writing.			

Assessment

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

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
35	<p>Land and Buildings – Other - £22.883m</p> <p>Other land and buildings comprises £12.688m of specialised assets such as the Roses theatre and the Tewkesbury leisure centre, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Wilkes Head and Eve to complete the valuation of properties as at 31 March 2019. 100% of total assets were revalued during 2018/19. The valuation of properties valued by the valuer has resulted in a net increase of £1.678m.</p> <p>The total year end valuation of Other land and buildings was £22.883m, a net increase of £1.6m from 2017/18 (£22.273m).</p>	<ul style="list-style-type: none"> We have undertaken a review of the work of management's expert (Wilkes Head and Eve). This assessment includes a review of their experience, capabilities and independence to the council. We have not identified any issues in these areas. Our review also considers the assumptions adopted by the expert. This includes a review of the consistency of the estimates with those provided to by Gerald Eve. Our work in this area is ongoing at the time of writing. We are awaiting responses from the valuer in relation to inquiries about the movement in valuation of a number of council properties. We have confirmed the completeness of the data provided to the actuary by agreeing the amounts submitted for valuation back to the fixed asset register. No issues have been identified in this work. We have tested individual asset revaluations to confirm that the treatment of these assets within the financial statements has been correct. We have reviewed amounts to ensure the asset register and the valuation reports agree as well as reviewing the treatment in the council's reserves. Our work is substantially complete in this area and we have not identified any issues. We have reviewed the adequacy of fair value disclosures in the statement of account. 	●
Our work in this area is still ongoing at the time of writing.			

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
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Significant findings – key judgements and estimates

	Summary of management’s policy	Audit Comments	Assessment																						
36	<p>Net pension liability – £34.148m</p> <p>The Council’s net pension liability at 31 March 2019 is £34.148m (PY £28.896m) comprising the Gloucestershire Pension Fund Local Government unfunded defined benefit pension scheme obligations. The Council uses Hymans Robertson to provide actuarial valuations of the Council’s assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £4.923m net actuarial loss during 2018/19.</p>	<ul style="list-style-type: none"> We have reviewed the estimate, undertaking tests on the asset and liability elements of the net liability. Using analytical procedures we have compared actual results with expectations and have concluded that the results are reasonable. We have reviewed the work of Hymans Robertson, through the use of an auditor’s expert, Pricewaterhousecoopers. We have undertaken an assessment of actuary’s roll forward approach, including completing detail work to confirm reasonableness of approach. 	●																						
		<table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.4%</td> <td>2.4-2.5%</td> <td style="text-align: center;">●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.5%</td> <td>2.5–2.4%</td> <td style="text-align: center;">●</td> </tr> <tr> <td>Salary growth</td> <td>2.8%</td> <td>Less than 0.5% movement</td> <td style="text-align: center;">●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>22.4 / 24.0</td> <td>21.5-22.8 / 23.7-24.4</td> <td style="text-align: center;">●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>24.6 / 26.4</td> <td>24.1-25.1 / 26.2-26.9</td> <td style="text-align: center;">●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> We have undertaken checks on the completeness and accuracy of the underlying information used to determine the estimate in order to determine the reasonableness of increase in the estimate. We have also ensured adequacy of the disclosure of the estimate in the financial statements. <p>Our audit work in this area is still ongoing as we await the outcome and potential impact of the McCloud judgement and the receipt and review of the Pension Fund auditor assurances.</p>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.4%	2.4-2.5%	●	Pension increase rate	2.5%	2.5–2.4%	●	Salary growth	2.8%	Less than 0.5% movement	●	Life expectancy – Males currently aged 45 / 65	22.4 / 24.0	21.5-22.8 / 23.7-24.4	●	Life expectancy – Females currently aged 45 / 65	24.6 / 26.4	24.1-25.1 / 26.2-26.9
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Going concern

Our responsibility

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

Going concern commentary

Management's assessment process

The Head of Finance and Asset Management as s151 officer has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.

Auditor commentary

Management have determined that there is no evidence of an intention to cease the provision of services, and have therefore adopted the going concern assumption. We have not identified any issues through our review and enquiries that suggest that this is not appropriate.

We are satisfied that the going concern assumption is appropriate for the council and is in line with accounting standards and the CIPFA Code.

Work performed

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Auditor commentary

We have reviewed management's assessment and confirm that the assumptions underpinning this is reasonable. Based on our review of management's assessment, no material uncertainties have been identified.

As highlighted in our work under the VFM conclusion, the Council's Medium Term Financial Plan does identify a current shortfall in income against expected costs over the MTF period. Current levels of Council reserves confirm that the Council has sufficient useable reserves to call upon, should this be required to manage the financial position within the foreseeable future.

Concluding comments

Auditor commentary

Based on our work undertaken, we are satisfied with the Council's assessment that the going concern basis is appropriate for the 2018-19 financial statements.

Other communication requirements

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

Issue	Commentary
① Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
② Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed.
③ Matters in relation to laws and regulations	<ul style="list-style-type: none"> 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.
④ Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Council, which is included in the Audit and Governance Committee papers.
⑤ Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to entities with whom borrowing and investment balance are held. This permission was granted and the requests were sent. At the time of writing almost all of these requests have been returned with positive confirmation.
⑥ Disclosures	<ul style="list-style-type: none"> Our review of the accounts have identified a number of disclosure amendments including a number of presentational changes including spelling, grammar and syntax. The disclosure amendments are included in further detail in Appendix C.
⑦ Audit evidence and explanations/significant difficulties	<ul style="list-style-type: none"> All information and explanations requested from management were provided.

Other responsibilities under the Code

Issue	Commentary
1 Other information	<ul style="list-style-type: none"> We are required to give an opinion on whether the other information published together with the audited financial statements, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix E</p>
2 Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> 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 other information of which we are aware from our audit If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters.</p>
3 Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <ul style="list-style-type: none"> Note that detailed work is not required as the Council does not exceed the threshold.
4 Certification of the closure of the audit	<p>We intend to certify the closure of the 2018/19 audit of Tewkesbury Borough Council in the audit opinion, as detailed in Appendix E.</p>

Audit work outstanding at the time of writing

	Accounts Area	Commentary
1	Welfare Expenditure	<ul style="list-style-type: none"> • Completion of the review of uplifted parameters within Northgate • Completion of an analytical review over welfare expenditure • Reperformance of the reconciliation between the ledger and Northgate
2	PPE Revaluations	<ul style="list-style-type: none"> • Our review of the appropriateness of the indices used by the valuer is still in progress – we are awaiting responses from the valuer in relation to some specific queries on a few of the assets whose value has moved significantly since the prior period. • Our testing of individual revaluations is still to be finalised.
3	Contingent Liabilities	<ul style="list-style-type: none"> • Our review of contingent liabilities is to be completed
4	Debtors	<ul style="list-style-type: none"> • Our review of collection fund debtors is still to be finalised
5 ⁴⁰	Pension Liability	<ul style="list-style-type: none"> • We await the outcome and potential impact of the McCloud judgement from the Council's actuary and the receipt and review of the Pension Fund auditor assurances.
6	Accounting Policies and Contingent liabilities	<ul style="list-style-type: none"> • We are finalising our review of accounting policies and contingent liabilities
7	MRP	<ul style="list-style-type: none"> • Review of MRP policy to confirm it is compliant with the CIPFA code • Reperformance of the MRP calculation to ensure it is correctly calculated.
8	Leases	<ul style="list-style-type: none"> • Our review of the leases disclosure is in progress
9	Subsequent events	<ul style="list-style-type: none"> • Our review of subsequent events up to the date of signing is in progress and will be finalised prior to completion
10	File completion and clearance of review points	<ul style="list-style-type: none"> • Once all audit work is complete, we will undertake all necessary levels of review and quality checks prior to completion.

Value for Money

Background to our VFM approach

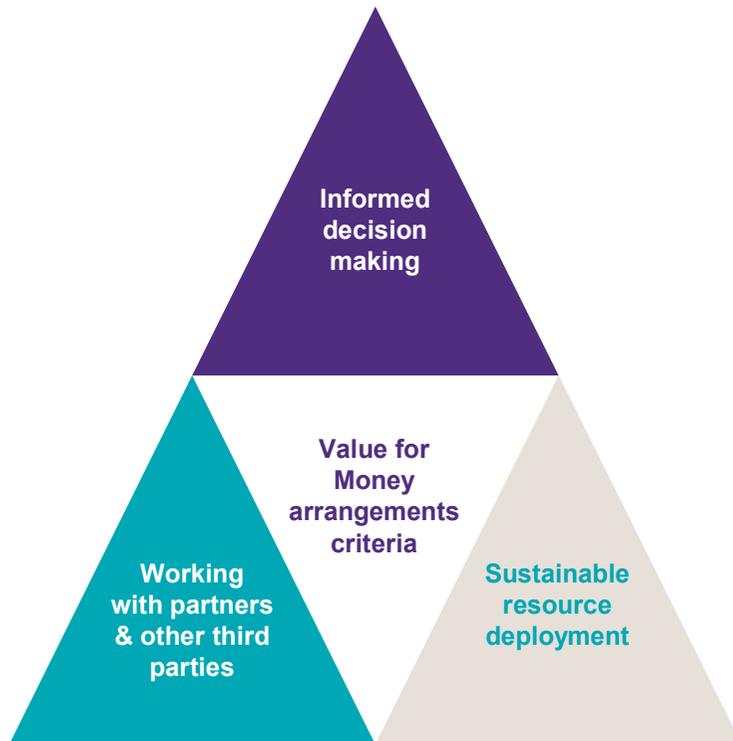
We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

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

This is supported by three sub-criteria, as set out below:

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Risk assessment

We carried out an initial risk assessment in February 2019 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated March 2019.

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.

Value for Money

Our work

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

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

- The Council delivered a revenue budget surplus in 2018/19 which was used to fund known commitments and allowed a transfer to reserves;
- Budget Monitoring reports taken to Executive Committee regularly and provide sufficient detail to allow members to effectively scrutinise budgets, and take remedial action should this be required;
- The latest version of the MTFS was presented to members in January 2019 and identifies a £3.526m revenue budget deficit by the end of 2023-24.
- The assumptions employed in the MTFS appear reasonable
- There continues to be a high reliance on the use of uncertain future income streams such as the New Homes Bonus, which makes up almost 30% of the income forecasts.
- A savings plan is detailed and was approved as part of the MTFS. Due to the limited opportunity to gain savings without impacting on services the focus of the Council has been the growth agenda and looking for further commercialisation opportunities
- The continued engagement of members and planned future increases to council tax income over the medium term is vital to ensuring the Council has a sound financial position.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 17 and 18.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix E.

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

Key findings

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

Significant risk	Findings	Conclusion
<p>1 Sustainable Resource Deployment - Medium Term Financial Strategy</p> <p>Our 2017-18 VFM conclusion highlighted that the Council must ensure it develops a robust savings plan in order to deliver its annual budgets with sufficient capacity to manage its emerging cost pressures over the duration of its Medium Term Financial Strategy (MTFS). The ongoing challenge of increasing service costs, as well as the reliance on the continuation of the New Homes Bonus and anticipated use of reserves enforces the need to identify additional sources of income in order to secure its financial sustainability for the future. We reviewed:</p> <ul style="list-style-type: none"> the Council 's arrangements to establish how it is identifying, managing and monitoring these financial risks. the robustness of the Council's financial plans and its key assumptions supporting the development of its MTFP and savings plans. 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>The Council's 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. The MTFS contains important strategic planning in a number of areas and its latest version was reported to members at a meeting of Council on 29 January 2019 which identified a £3.526m funding gap over the 5 year period of the MTFS.</p> <p>Over recent years, the Council has put in place a number of service reconfigurations, shared service arrangements and have already exhausted a number of commercialisation opportunities to reduce costs and generate new income streams.</p> <p>There remains a high reliance on the use of uncertain income such as the New Homes Bonus, which makes up almost 30% of the income forecasts. Where the Council is unable to identify and deliver further savings or additional income streams to bridge the current MTFS funding gap, use of the council's general reserves would be required in order to manage its financial position. This is not sustainable in the medium to long term.</p> <p>A savings plan is detailed and was approved as part of the MTFS. Due to the limited opportunity to gain savings without impacting on services the focus of the Council has been the growth agenda and looking for further commercialisation opportunities through investment property diversification, commercial opportunities through the UBICO contract and the use of council buildings for encouraging business growth through new business growth incubator units on site at the Council's offices in Tewkesbury.</p> <p>The Council have continued to engage members through the Transform Work Group. The group of members consider budgetary matters and comment on new opportunities and schemes that are available to the Council prior to the approval process through Executive Committee and Council. This engagement is vital to the progression of officers' plans to bridge the current forecasted deficit and has seen pay off in the financial year (see overleaf)</p>	<p>Auditor view</p> <p>Positive steps have been taken by the Council to review the assumptions in the MTFS and work to bridge the anticipated funding gap by formalising proposals to further generate income through pilot schemes and commercialisation. Therefore, on the work we performed to address the significant risks, we are satisfied that the Council has made sufficient progress in improving its arrangements during the course of the year. We therefore propose to conclude that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.</p> <p>Management response</p> <p>The Council continues to operate in a challenging financial environment with huge uncertainty around local government finance and continued increases to the cost base of service provision. The MTFS highlights the significant financial challenges facing the authority on an annual basis as we enter the next decade and also outlines some of the actions that must be taken, however difficult or unpalatable, to ensure the Council balances its budget requirement each year. Officers will continue to work in partnership with members to ensure robust plans are in place to deliver the increased income or savings required over the medium term.</p>

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Significant risk

Sustainable Resource Deployment - Medium Term Financial Strategy

Our 2017-18 VFM conclusion highlighted that the Council must ensure it develops a robust savings plan in order to deliver its annual budgets with sufficient capacity to manage its emerging cost pressures over the duration of its Medium Term Financial Strategy (MTFS). The ongoing challenge of increasing service costs, as well as the reliance on the continuation of the New Homes Bonus and anticipated use of reserves enforces the need to identify additional sources of income in order to secure its financial sustainability for the future.

We reviewed:

- the Council 's arrangements to establish how it is identifying, managing and monitoring these financial risks.
- the robustness of the Council's financial plans and its key assumptions supporting the development of its MTFP and savings plans.
- 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.

Findings

The final General Fund revenue outturn position for the full year was reported as a £2.68m surplus. This was a significant increase against the quarter three position and the outturn of previous years. The budgeted transfer to reserves was £777,720 with an actual outturn transfer totalling £3,463,217. Total useable reserves now stands at over £14m which puts the council in a great position moving forward.

This surplus was aided by the increase of Council Tax by the maximum £5 in year, with an assumption in the MTFS that this will continue for the next 5 years. This is vital to the financial sustainability of the Council.

During the year, several other opportunities and schemes have been utilised which have had a positive impact on the outturn position. This includes a positive position on the retained business rates scheme with a surplus against budget of £1,179,391 in year. In addition to this base position the Council were also able to take advantage of the 100% Business Rate Retention Pilot in Gloucestershire for 2018/19. resulting in additional income for Tewkesbury of £882,000.

Other positive steps that have been taken include the success of the garden waste sticker system which performed above expectations and the launch of the carpool pilot to reduce mileage and other travel costs.

The Council also had their Garden Town status bid approved which aims to help the Council deliver up to 10,000 houses over the period to 2041. Councils and groups from around the country submitted more than 100 ambitious proposals with the 5, including Tewkesbury's, taken forward resulting in an initial £750,000 investment to help develop plans for vibrant, thriving settlements where people can live, work and raise families.

Conclusion

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 Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, 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 Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified.

45	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit	7,795	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the baseline fee for this work is £7,795 in comparison to the total fee for the audit of £34,589 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee based on a prescribed level of testing and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
	7,795		

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit & Governance Committee. None of the services provided are subject to contingent fees.

Action plan

We have identified one recommendation for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2019/20 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Issue and risk	Recommendations
1	●	<ul style="list-style-type: none"> As noted above, we extended our sample of Fees and charges due to identifying an error within the sample population. We identified that a large proportion of one of the sample items related to 2019/20, but the whole balance was included as 2018/19 income. 	<ul style="list-style-type: none"> We recommend that management review their processes for identifying receipts in advanced in order to reduce the level of errors in future periods. <p>Management response</p> <ul style="list-style-type: none"> There is already a robust procedure in place to review all invoices raised in the year for receipts in advance. There are few non-invoiced income amounts that would require apportionment however we will review all such items and ensure these are all included in our receipts in advance process.
246	●	<ul style="list-style-type: none"> As noted above, we identified one £25,000 item within the cashflow statement that could not be verified to an external source. Without this item, the cash flow statement would not balance. 	<ul style="list-style-type: none"> We recommend that management undertake a retrospective review of the 2018/19 cash flow statement in order to identify the reasons behind the balancing item as well as to ensure this difference will not be brought forward into 2019/20. <p>Management response</p> <ul style="list-style-type: none"> This has been identified as an area for review and we have identified ways to automate this process more (so requiring less human analysis at the year end). We will endeavour to review the 2018-19 cash flow and implement improved procedure in future years.

Controls

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

Follow up of prior year recommendations

We identified the following issues in the audit of [insert client name] Council's 2017/18 financial statements, which resulted in [x] recommendations being reported in our 2017/18 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✓	The Council should ensure that the Corporate Risk Register is reviewed on a regular and timely basis to ensure that all risks identified are relevant and appropriate to the Council.	<ul style="list-style-type: none"> The updated Risk Management Strategy was considered and approved by the Executive Committee on 12 January 2019 and will be taken to the Audit and Governance Committee for consideration on a regular basis.

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Assessment

- ✓ Action completed
- X Not yet addressed

Audit Adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
1 Housing Benefit Debtors We identified that debtors had been overstated by £140k. The full amounts were provided for so there is £nil impact on the Balance sheet.	N/A	£nil	£nil
Overall impact	£Nil	£Nil	£Nil

Audit Adjustments

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

Misclassification and disclosure changes

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

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Audit Fees	<ul style="list-style-type: none"> An additional charge for Housing Benefit subsidy work was not included in the prior period amount. This was not included in the Audit Fee disclosure for 2017/18 	<ul style="list-style-type: none"> That management include the additional fee in the prior period disclosure to reflect the additional charge. 	✓
Note 9 / Grants Note	<ul style="list-style-type: none"> The value of grants per Note 34 did not agree to the value of grants disclosed in Note 9 (Expenditure and Income analysed by Nature). The difference of £3.174m related to S106 grants. The net impact on the CIES is £nil. 	<ul style="list-style-type: none"> That management amend the disclosure, so that the amounts reconcile. 	✓
Cashflow 49	<ul style="list-style-type: none"> The full cashflow statement was reperformed due to the identification of errors. On review of the updated disclosure, we identified a £25k balancing figure that could not be verified to other sources. 	<ul style="list-style-type: none"> As noted in Appendix A, we recommend that management undertake a retrospective review of the 2018/19 cash flow statement in order to identify the reasons behind the balancing item as well as to ensure this difference will not be brought forward into 2019/20. 	✓
MiRS	<ul style="list-style-type: none"> In undertaking a review of the Movement in Reserves Statement, we identified that one of the assets disposed of, had not been accounted for through reserves. It led to a movement of £47k from unusable to useable reserves as the disposal proceeds were transferred to the Capital Receipts Reserve. 	<ul style="list-style-type: none"> We recommend that management account for the disposal through reserves in order to maximise useable capital receipts. 	✓
General presentational amendments	<ul style="list-style-type: none"> We have identified other general amendments including, spelling, grammar and syntax as well as presentational items such as missing page numbers. 	<ul style="list-style-type: none"> We requested of management that amendments were made in relation to these items for clarity within the accounts. 	✓

Audit Adjustments

Misclassification and disclosure changes (continued)

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Financial Instruments Disclosure Note	<ul style="list-style-type: none"> A number of items within Note 20 were stated incorrectly. There were disclosures where the 2017/18 and 2018/19 columns contained the figures for the incorrect financial year. There were also a number of values that excluded accrued interest. 	<ul style="list-style-type: none"> That management review the disclosures to ensure amounts are included in the correct year and that the values can be reconciled to other notes in the accounts. 	✓

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2018/19 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

50 Detail	Comprehensive Income and Expenditure Statement £	Statement of Financial Position £	Impact on total net expenditure £	Reason for not adjusting
1 Fees and charges	55,872	£55,872		Amount is a projected misstatement and not an actual error.
Overall impact	£55,872	£55,872		

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2017/18 financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
1 N/a	0	0	0	N/a

Fees

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

Planned Audit Fees

Our Audit Plan included a PSAA published scale fee for 2018/19 of £34,589. Our audit approach, including the risk assessment, is continually reviewed throughout the year and fees are reviewed and updated as necessary as our work progresses.

Update to our risk assessment – additional work in respect of the audit code

The table below sets out the additional work which we have undertaken to complete the audit, along with the impact on the audit fee where possible. Please note that these proposed additional fees are estimates based on our best projection of work and will be subject to approval by PSAA in line with the Terms of Appointment.

Additional Audit Fees

Area of work	Timing	Comment	£
Assessing the impact of the McCloud ruling	June-July 2019	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we considered the impact on the financial statements along with any audit reporting requirements. This included consultation with our own internal actuary in their capacity as an auditor expert.	1,500
Pensions – IAS 19	June-July 2019	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year.	1,500
PPE Valuation – work of experts	June-July 2019	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE Valuations across the sector. We have increased the volume and scope of our audit work to reflect this and made additional enquiries of the Council's external valuer to support this work.	1,500

Fees

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

Total Audit Fees

	Actual fee 2017-18	Proposed 2018-19 fee	Final 2018-19 fee
Council Audit	44,921	34,589	34,589
Additional Audit fees proposed (see analysis per page 26)			4,500
Total audit fees (excluding VAT)	44,921	34,589	39,089

52 Non Audit Fees

Fees for other services	Fees
Audit related services:	£7,795
• Certification of Housing Benefits	
	£7,795

Audit opinion

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

Independent auditor's report to the members of Tewkesbury Borough Council Report on the Audit of the Financial Statements Opinion

We have audited the financial statements of Tewkesbury Borough Council (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Head of Finance and Asset Management's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Finance and Asset Management has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

Audit opinion

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

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

Responsibilities of the Authority, the Head of Finance and Asset Management and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance and Asset Management. 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Head of Finance and Asset Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

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

Audit opinion

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of Tewkesbury Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

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

[Signature]

Julie Masci, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

[Date]



TEWKESBURY BOROUGH COUNCIL

Report to:	Audit and Governance Committee
Date of Meeting:	24 July 2019
Subject:	Letter of Representation 2018/19
Report of:	Head of Finance and Asset Management
Corporate Lead:	Deputy Chief Executive
Lead Member:	Lead Member for Finance and Asset Management
Number of Appendices:	1

<p>Executive Summary:</p> <p>Each year, on completion of the audit of the Council's financial statements, the Council is required to submit a Letter of Representation to its external auditor. Without the letter of representation the auditor cannot issue an opinion on the Council's accounts.</p>
<p>Recommendations:</p> <p>To APPROVE the Letter of Representation 2018/19.</p>
<p>Reasons for Recommendation:</p> <p>To present, for consideration and approval, the Council's Letter of Representation for 2018/19</p>

<p>Resource Implications:</p> <p>None</p>
<p>Legal Implications:</p> <p>None</p>
<p>Risk Management Implications:</p> <p>If the Letter of Representation is not submitted to Grant Thornton, the auditor will not be able to issue an opinion on the Council's financial statements and the Council will not be able to publish its Statement of Accounts by the statutory deadline of 31 July 2019.</p>
<p>Performance Management Follow-up:</p> <p>None</p>
<p>Environmental Implications:</p> <p>None</p>

1.0 INTRODUCTION AND BACKGROUND

1.1 Each year, on completion of the audit of the Council's Financial Statements, the Chief Finance Officer is required to submit a Letter of Representation to the Council's external auditor. The letter formally and publicly confirms the accuracy and completeness of the presented Statement of Accounts.

1.2 The letter sets out assurances from the Council to Grant Thornton that relevant accounting standards have been complied with and gives further assurances that the Council has disclosed information where to withhold it would have undermined the accuracy and reliability of the Statement of Accounts.

2.0 LETTER OF REPRESENTATION 2018/19

2.1 A copy of the draft Letter of Representation for 2018/19 is attached at Appendix A. On receipt of the Letter of Representation, the Council's external auditor may formally issue an opinion on the financial statements.

2.2 The Committee is requested to consider the content of the letter and to approve it for signature by the Chief Finance Officer on behalf of the Council.

3.0 OTHER OPTIONS CONSIDERED

3.1 None.

4.0 CONSULTATION

4.1 Consultation undertaken with the Audit and Governance Committee prior to signing of the letter.

5.0 RELEVANT COUNCIL POLICIES/STRATEGIES

5.1 None

6.0 RELEVANT GOVERNMENT POLICIES

6.1 None.

7.0 RESOURCE IMPLICATIONS (Human/Property)

7.1 None.

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

8.1 None

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

9.1 None

10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

10.1 None

Background Papers: None

Contact Officer: Head of Finance and Asset Management
01684 272005 Simon.Dix@teWKesbury.gov.uk

Appendices: Appendix A – Letter of Representation 2018/19

Deputy Chief Executive's Unit

Robert Weaver
Deputy Chief Executive



Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL

Our Contact: Simon Dix
Telephone: 01684 272005
Our Ref: SD/Audit 19
Email: simon.dix@teWKesbury.gov.uk

24th July 2019

Dear Sirs,

Tewkesbury Borough Council
Financial Statements for the year ended 31 March 2019

This representation letter is provided in connection with the audit of the financial statements of Tewkesbury Borough Council for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 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 Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented 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 any 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. 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.
- vi 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.
- vii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. There is one additional unadjusted error in relation to the impact of the McCloud judgement impacting the pension liability and service costs. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end.
- The financial statements are free of material misstatements, including omissions.
- xii Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.



- xiv 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

- xv We have provided you with:
- a. access to all information of which we are aware that is relevant to the preparation of the Council 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.
- xvi We have communicated to you all deficiencies in internal control of which management is aware.
- xvii All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii 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.
- xix We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
- a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xx We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxi 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.
- xxii We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiii 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

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council's Audit and Governance Committee at its meeting on 24 July 2019.

Yours faithfully

Signed on behalf of the Council

Simon Dix
Head of Finance & Asset Management
24th July 2019

Councillor Vernon Smith
Chair of Audit Committee
24th July 2019

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit and Governance Committee
Date of Meeting:	24 July 2019
Subject:	Statement of Accounts 2018/19
Report of:	Head of Finance and Asset Management
Corporate Lead:	Deputy Chief Executive
Lead Member:	Lead Member for Finance and Asset Management
Number of Appendices:	1

Executive Summary:

The Statement of Accounts for 2018/19 shows the financial position of the Council as at 31 March 2019 as well as the performance during the year. This year the statutory deadline for producing the accounts was brought forward to 31 May 2019.

This year saw working balances increase by £250k to at £800k and a slight decrease in the net worth to £13.5m.

Recommendation:

To APPROVE the Statement of Accounts 2018/19

Reasons for Recommendation:

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

Resource Implications:

Revenue and Capital balances as detailed within the report.

Legal Implications:

The process and schedule for approval of the Statement of Accounts are regulated by the "Accounts and Audit (England) Regulations 2015"

Risk Management Implications:

None

Performance Management Follow-up:

None

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

- 1.1 This is the second year where the deadline for the production of the accounts was 31 May rather than 30 June and the audit deadline was brought forward two months to 31 July.
- 1.2 The Audit Findings Report shows any adjustments made to the accounts as a result of the audit.
- 1.3 The Committee is asked to review the content of the Statement of Accounts, in line with the information contained in the Audit Findings Report, and approve them for publication.

2.0 REVIEW OF THE STATEMENT OF ACCOUNTS

2.1 Income and Expenditure

- 2.1.1 Working balances have increased by £250k to £800k because of the following activity during the year (see table below). The Council managed a surplus of £2.7m against its net budget which can be shown below:

	Full Year Budget	Outturn Position	Savings / (deficit)
	£	£	£
Employees	9,319,411	9,159,512	159,899
Premises	610,297	533,937	76,360
Transport	165,777	135,772	30,005
Supplies & Services	1,913,446	2,003,907	-90,461
Payments to Third Parties	5,438,570	5,982,432	-543,862
Transfer Payments	4,382	-54,625	59,007
Income	-6,889,995	-8,370,713	1,480,718
Service Total	10,561,888	9,390,223	1,171,665
Treasury activity	117,260	46,502	70,758
Commercial activity	-1,928,859	-2,210,041	281,182
Corporate Savings Targets	-17,500	0	-17,500
New Homes Bonus	-3,179,723	-3,179,723	0
Business Rates Income	-2,694,620	-3,874,011	1,179,391
Other adjustments	-3,636,166	-3,636,167	1
Council Total / Transfer to reserves	-777,720	-3,463,217	2,685,497

- 2.1.2** The surplus can primarily be attributed to additional business rates retention income, substantial external grant funding being received and increased commercial investment income.
- 2.1.3** Direct service expenditure shows a positive variance of £1,171,665 against budget and is mainly attributable to the items outlined below:
- the employees' full year budget is underspent largely as a result of staff turnover and vacancies in most service groupings;
 - premises is underspent as a result of savings on utilities and the release of New Homes Bonus monies to support the asset maintenance programme in future years;
 - savings on transport have been generated across all service areas and result from reduced car allowance scheme costs plus reduced business mileage;
 - payments to third parties is showing a significant overspend and is as a result of the overspend on the Ubico contract (see information in paragraphs below) as well as payments for work undertaken in areas such as the Community Infrastructure Levy and Joint Core Strategy where partner finance or reserves exist to cover the cost; and
 - Council income is showing additional income levels of £1.48m over the budgeted provision. The majority of fees and charges budgets, with the exception of planning fees, have been delivered on budget during the year with a few areas, such as garden waste, being beyond expected levels. The large variance is therefore as a result of substantial external grant income being received during the year. The Council has received a number of new burdens grants from the government but has also attracted significant service specific grants particularly in relation to the delivery of the requirements for the Joint Core Strategy. In addition, the Council has attracted significant funding to support its housing and homeless activities.
- 2.1.4** Although the Council made a £2.7m surplus against its budget, the surplus on the provision of services shown in the Expenditure and Funding analysis (Note 5) is £4.078m. This is because it includes income and expenditure against earmarked reserves and planning obligations which we do not budget for.
- 2.1.5** To complicate things further, the surplus on provision of services in the Comprehensive Statement of Income and Expenditure (in accordance with accounting regulations) is £3.729m. This figure includes capital, IAS19 pension adjustments and other items that cannot be charged to Council Tax payers.

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 decreased slightly to £13.5m.

The change 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 £8m on Investment Properties due to the purchase of two new properties this year;
- an increase of £14m in long term liabilities as the Council fixes some of the borrowing for property purchase due to the very low interest rates on offer at the moment; and
- the pension deficit has decreased by over £5m (18%) due to a fall in the corporate bond yields which has the effect of increasing the value of the liabilities despite higher investment returns this year.

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 £758k.

2.3.2 Any Balance on the Council Tax Fund will be redistributed amongst the precepting bodies of Gloucestershire County Council, Gloucestershire Police and ourselves, based on a proportion of the total precept demand from each body. £390k has already been allocated, based on an estimate of the outturn position in January 2019. The remaining balance of £368k will be incorporated in to the 2018/19 estimate of outturn in January 2020.

2.3.3 The balance on the Collection Fund for Business rates at the year-end was a surplus for the first time (£951k) which is £2.7m better than last year (£1.8m deficit). This is due to us being in a Gloucestershire-wide pilot and a positive position on the retained business rates scheme. The benefit of being in the pilot was £883k in 2018/19.

2.4 Capital Resources

2.4.1 The table below sets out the Council's capital resources at 31 March 2019. The total balance is £1.2m including capital grants; however, after allowing for commitments of £691K the unallocated budget available for new capital projects is £420k.

	Usable Capital Receipts (£'000)	Capital Grants (£'000)	Total (£'000)
Balance at 31/03/19	1,158	88	1,246
Capital Commitments - next 3 years	691	88	779
Balance Available	467	0	467

2.4.2 Expenditure on capital projects was £10.7m in 2018/19 and included £8.5m on two new investment properties, £1.1m on the refurbishment of the Public Service Centre and £486k on Disabled Facilities Grants.

2.4.3 The Council is financing the £8.5m for the new investment properties through borrowing. At the end of the financial year, the Council was borrowing £14m at rates between 0.8% and 0.9% pa (short term) and £14m long term over 40 years at 2.35% (£11m) and 2.47% (£3m) to balance out the risk of interest rate rises.

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 2015).

4.0 CONSULTATION

4.1 The accounts and supporting documents were available for inspection by any person interested between 3 June 2019 and 12 July 2019; however, (at the time of publication) no one had exercised these rights.

Between 3 June 2019 and 12 July 2019, the auditor has been available to receive questions and objections relating to the accounts from local electors.

Both these opportunities were placed on the Council's website.

5.0 RELEVANT COUNCIL POLICIES/STRATEGIES

5.1 The control and good management of financial resources is essential in order to effectively deliver the Council's priorities.

6.0 RELEVANT GOVERNMENT POLICIES

6.1 The Accounts and Audit (England) Regulations 2015

7.0 RESOURCE IMPLICATIONS (Human/Property)

7.1 None

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

8.1 None

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

9.1 The Statement of Accounts is available in a number of different formats depending on the users' needs.

10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

10.1 Executive Committee on 12 June 2019 approved the inclusion of Earmarked Reserves and the financing of capital expenditure.

Background Papers: None

Contact Officer: Finance Manager
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Appendices: Appendix A – Statement of Accounts



Financial Statements for the year ended 31 March 2019

**Finance and Asset Management
S J 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 financial statements.

The Head of Finance and Asset Management's Responsibilities

The Head of Finance and Asset Management is responsible for the preparation of the council's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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

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

The Head of Finance and Asset Management has also:

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

I certify that the financial statements on pages 2 to 75 are the relevant financial statements for the audit certificate and present 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 2019.

S J Dix

Head of Finance and Asset Management.

Date: 24th July 2019

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

Councillor V Smith

Date: 24th July 2018

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2017/2018			2018/2019			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
297	0	297		304	0	304
6,958	-2,887	4,071		7,636	-4,199	3,438
21,425	-19,145	2,280		19,145	-17,086	2,060
947	-290	657		714	-17	697
133	0	133		138	0	138
3,109	-3,171	-62		3,957	-2,782	1,176
2,572	-1,436	1,136		3,794	-2,426	1,368
1,826	-1,315	511		2,047	-1,500	547
37,267	-28,244	9,023	Total Cost of Continuing Operations	37,736	-28,010	9,726
1,812	-318	1,494	Other Operating Expenditure	1,940	-377	1,563
1,729	-1,621	108	Financing and Investment Income and Expenditure	1,369	-2,620	-1,251
386	-12,739	-12,353	Taxation and Non-Specific Grant Income and Expenditure	0	-13,767	-13,767
3,927	-14,678	-10,751		3,309	-16,764	-13,455
		-1,728	(Surplus)/Deficit on Provision of Services			-3,729
		-404	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets			-695
		-2,328	Actuarial (Gains)/Losses on Pensions Assets/Liabilities			4,923
		-2,732	Other Comprehensive Income and Expenditure			4,228
		-4,460	Total Comprehensive Income and Expenditure			499

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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
Movement in reserves during 2018/2019							
Balance at 1 April 2018 brought forward	550	10,060	1,842	136	12,588	1,419	14,007
Total Comprehensive Income & Expenditure	3,729				3,729	-4,228	-499
Adjustments between accounting basis & funding basis under regulations (Note 12)	349		-684	-48	-383	383	0
Increase/Decrease (movement) in Year	4,078	0	-684	-48	3,346	-3,845	-499
Transfers to/from Earmarked Reserves (Note 13)	-3,828	3,828	0	0	0	0	0
Balance at 31 March 2019 carried forward	800	13,888	1,158	88	15,934	-2,426	13,508

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MOVEMENT IN RESERVES STATEMENT (continued)

	General Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Movement in reserves during 2017/2018							
Balance at 1 April 2017 brought forward (restated)	450	7,594	3,107	171	11,322	-1,775	9,547
Total Comprehensive Income & Expenditure	1,728				1,728	2,732	4,460
Adjustments between accounting basis & funding basis under regulations (Note 12)	838		-1,265	-35	-462	462	0
Increase/Decrease (movement) in Year	2,566	0	-1,265	-35	1,266	3,194	4,460
Transfers to/from Earmarked Reserves (Note 13)	-2,466	2,466	0	0	0	0	0
Balance at 31 March 2018 carried forward (restated)	550	10,060	1,842	136	12,588	1,419	14,007

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BALANCE SHEET

restated 31/03/2017 £'000	restated 31/03/2018 £'000		Notes	31/03/2019 £'000
		Property, Plant & Equipment		
22,365	22,273	Other Land & Buildings	17	23,883
233	224	Infrastructure Assets	17	215
2,752	2,713	Vehicles, Plant, Furniture & Equipment		2,288
22	22	Community Assets	17	23
5	1,117	Assets Under Construction	17	129
25,377	26,349			26,538
19,552	32,489	Investment Property	19	40,861
0	0	Non current assets held for sale		90
218	218	Heritage Assets	18	218
259	277	Intangible Assets		221
45,406	59,333			67,928
0	2,004	Long Term Investments	20	0
411	364	Long Term Debtors	20	320
45,817	61,701	Total Long Term Assets		68,248
		Current Assets		
6,033	11,281	Short Term Investments	20	14,913
2,879	2,976	Short Term Debtors	21	3,979
10,863	1,598	Cash & Cash Equivalents	22	5,157
19,775	15,855	Current Assets		24,049
		Current Liabilities		
15,015	21,032	Short Term Borrowing	20	14,163
6,734	9,289	Short term Creditors	23	9,790
1,506	2,015	Provisions	24	3,011
23,255	32,336	Current Liabilities		26,964
42,337	45,220	Total Assets Less Current Liabilities		65,333
		Long-Term Liabilities		
1,947	2,317	Provisions	24	3,677
0	0	Long Term Borrowing	20	14,000
30,748	28,896	Net Pensions Liability		34,148
32,695	31,213	Long-Term Liabilities		51,825
9,642	14,007	Net Assets		13,508
450	550	General Fund Reserve		800
7,594	10,060	Earmarked Reserves	13	13,888
3,107	1,842	Capital Receipts Reserve	MIRS	1,158
173	137	Capital Grants Unapplied	MIRS	88
11,324	12,589	Usable Reserves		15,934
6,955	7,174	Revaluation Reserve	26.1	7,731
-30,704	-28,883	Pensions Reserve	26.3	-34,017
23,532	23,587	Capital Adjustment Account	26.2	23,512
8	2	Deferred Capital Receipts		0
24	0	Financial Instruments Adjustment Account		0
-1,405	-228	Collection Fund Adjustment Accounts	26.4	564
-90	-94	Short-term Accumulating Compensated Absences Account		-96
0	0	Pooled Investments Funds Adjustment Account		-120
-2	-140	Available for sale Adjustment Account		0
-1,682	1,418	Unusable Reserves		-2,426
9,642	14,007	Total Reserves		13,508

CASH FLOW STATEMENT

2017/2018		Note	2018/2019
£'000			£'000
-1,728	Net (surplus) or deficit on the provision of services		-3,729
1,550	Adjustments to net surplus or deficit on the provision of services for non-cash movements	27	-6,205
0	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		0
-178	Net cash flows from Operating Activities		-9,934
20,415	Investing Activities	28	11,318
-10,972	Financing Activities	29	-4,943
9,265	Net increase or decrease in cash and cash equivalents		-3,559
-10,863	Cash and cash equivalents at the beginning of the reporting period		-1,598
<u>-1,598</u>	Cash and cash equivalents at the end of the reporting period	22	<u>-5,157</u>

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1. Prior Period Adjustment

During the 2018/2019 financial year the Council took the opportunity to review the base information that is provided to the Valuer to use as part of the annual valuation of our assets. It was identified that the evidence supporting several of the assets was out-of-date and required updating. One property, The Roses Theatre, had a recent building survey which provided details of the internal area of the building, which was different to the evidence that we had previously supplied to the valuer. For a second property, The Leisure Centre, it was identified that we did not have an internal survey of it since it came into operation, and we had been using areas based on the original plans. It was decided to commission a measured survey of the Leisure Centre to ensure that the information we hold is up-to-date and accurate.

Providing the updated information to the valuer on the Roses Theatre and the Leisure Centre has resulted in a change in value of these buildings. Whilst the changes are not material in total, it was decided to restate the balance sheet to reflect what the value would have been had the assets had been valued using this updated information. The Net Book Value of the change on the 2017/2018 Balance Sheet was £382k. The impact has been to adjust the Revaluation Reserve by the same amount, as there is sufficient reserve available to charge the change in value to.

As part of the restatement it was also identified that there had been a calculation error in the workings of the Historic Cost adjustment in the 2017/2018 accounts on the Leisure Centre for £59k. This was an adjustment between the Revaluation reserve and the Capital Adjustment Account.

The only impact on the Comprehensive Income & Expenditure Statement (CIES) would have been the change in depreciation charged during 2017/2018. The impact has been calculated as an additional charge of £8k to the Finance & Asset Management Service. However, this charge is then taken through the Movement in Reserves Statement (MIRS) to the Capital Adjustment Account, with a corresponding entry between the Capital Adjustment Account and Revaluation Reserve for the charge for the Historic Cost adjustment. Given that the movement through CIES is immaterial and the charge would end up in the Revaluation Reserve, we have not restated the CIES for this movement.

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom requires that an authority present a Balance Sheet at the beginning of the preceding period when an authority makes a retrospective restatement. The table below demonstrates the effects on the Balance Sheet for the financial year 2017/2018.

Effect on line items in the Balance Sheet 31 March 2018

	Originally Value 2017/18 £'000	Restated Value 2017/18 £'000	Change £'000
Assets			
Other Land & Buildings	22,655	22,273	382
Long Term Assets	26,731	26,349	382
Total Net Assets	14,389	14,007	382
Reserves			
Revaluation Reserve	7,616	7,174	442
Capital Adjustment Account	23,527	23,587	-60
Unusable Reserves	1,801	1,419	382
Total Reserves	14,389	14,007	382

As there has been no restatement of the CIES, we have taken the decision to also not shown a corresponding change through the MIRS statements. The MIRS has been updated to reflect the changes to the opening balances on the Revaluation Reserve and the Capital Adjustment Account has been.

2. Accounting Policies

2.1 General Principles

The financial statements summarises the council's transactions for the 2018/2019 financial year and its position at the year-end of 31 March 2019. The council is required to prepare annual financial statements by the Accounts and Audit (England) Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/2019 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Finance Act 2003.

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

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

2.2 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories 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.

2.3 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 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.

2.4 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 (where material). 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, (see relevant note for further details)
- 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.

2.4 Employee Benefits (continued)

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

- Service cost comprising

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- net interest on the net defined benefit liability, i.e. net interest expense for the council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

- Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- contributions paid to the Gloucestershire County council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are 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.

2.5 Events After the Reporting Period

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

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

Events taking place after the date of authorisation for issue are not reflected in the financial statements.

2.6 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.

Financial Assets

Financial assets are classified based on the business model for holding them and the characteristics of their cashflows. The three main classes of financial assets are measured at:

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

The business model of the authority is to hold investments to collect contractual cash flows for treasury management purposes only. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of interest and principal and interest (i.e. where it isn't a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. 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 (CIES) 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 financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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 CIES.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

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.

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.

2.7 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

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

Community Infrastructure Levy

The authority has elected to charge a Community Infrastructure Levy (CIL) from 1st January 2019. The levy will be charged on new builds (chargeable developments for the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area in line with our Regulation 123 list that is published on our website.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, 5% of these charges may be used to fund revenue administrative costs of CIL.

2.8 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.

2.8 Intangible Assets (continued)

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.

2.9 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.

2.10 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.

2.11 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.

2.12 Leases

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

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

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

The council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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.

Where the council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease or a rent free period). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

2.13 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.

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.

2.14 Overheads and Support Services

The costs of overheads and support services are not shown within the service segments in the Comprehensive Income and Expenditure Account as we do not report this in our management reports throughout the year. Therefore the full cost principles detailed in the CIPFA *Service Reporting Code of Practice 2018/2019* (SeRCOP) are no longer used within the financial statements.

2.15 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.

2.16 Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it yields benefits to the council and the services that it provides are for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement

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

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

2.16 Property, Plant and Equipment (continued)

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

Current Value (Existing Use)	<ul style="list-style-type: none">• 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;• Includes assets held such as car parks, properties and offices.
Depreciated Replacement Cost	<ul style="list-style-type: none">• Represents the current cost of replacing an asset with its modern equivalent less deductions for physical deterioration and all relevant forms of obsolescence• Includes assets held such as cemetery and theatre.
Market Value	<ul style="list-style-type: none">• 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;• No PPE assets held at Market Value, used for investment properties.
Depreciated historic cost	<ul style="list-style-type: none">• Represents the cost of bringing the asset into operational use less an adjustment for depreciation. Used where a reliable estimate of its current fair value can not be made;• Infrastructure, community assets and assets under construction

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.

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

Where decreases in value are identified, they are accounted for by:

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

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

The council operates a de minimis for capital purposes of £10,000 (including groups of assets) 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;
- Vehicles, plant, furniture and equipment - 5 to 7 years, which 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.

2.17 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; and
- 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.

2.18 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Contingent Assets

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

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

2.19 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.

2.20 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.

2.21 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.

2.22 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.

2.22 Heritage Assets (continued)

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.

2.23 Council tax and Non-Domestic rates (NDR)

Billing authorities like Tewkesbury Borough council act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be more or less than predicted.

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

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

This means:

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

- the year end surplus/deficit on the Collection Fund is based on estimates made in January.

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

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

3. Accounting Standards Issued, Not Adopted

The 2018/2019 Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified. The Code also requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

The standards that may be relevant for additional disclosures that will be required in the 2018/2019 and 2019/2020 financial statements in respect of accounting changes that are introduced in the 2019/2020 Code are:

- 1) amendments to IAS 40 Investment Property: Transfers of Investment Property
- 2) Annual Improvements to IFRS Standards 2014-2016 Cycle
- 3) IFRIS 22 Foreign Currency Transactions and Advance Consideration
- 4) IFRIC 23 Uncertainty over Income Tax Treatments
- 5) amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

It is not expected that these new standards will have a material effect on the accounts.

4. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 2, 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:

Local Government Funding

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.

Provisions - Municipal Mutual Insurance

The Council's former insurers Municipal Mutual Insurance Limited ceased trading in 1992 and the Council became a party to the scheme of administration for liabilities outstanding at that time. Previously the administrators advised that the assets would at least match the liabilities and a solvent run off of the scheme could be expected. However the directors of MMI 'triggered' MMI's Scheme of Arrangement under section 425 of the Companies Act 1985 on 13 November 2012 and Ernst and Young LLP became responsible for the management of the MMI's business, affairs and assets in accordance with the terms of the Scheme. The claw back scheme to which Tewkesbury is subject provides for a maximum liability of £169,775. Ernst and Young LLP suggested an initial levy rate of 15% to achieve a solvent run off and this was increased to 25% on 1 April 2016. We have provided for an additional 10% in long term provisions as we have not had any confirmation that this would be the final payment.

Provisions - Business Rates Appeals

The level of provision for business rate appeals under the business rate retention scheme (2010 list) has been calculated using historic appeals information. Those on the list at 31 March 2017 with a code of grounds where we have statistical information relating to the success and outcome of past appeals have been calculated using the average success rate and rateable value lost. The appeals relating to Virgin Media are treated separately as these are unique cases that were heard as part of a special programme and we will use a variety of sources to determine a suitable appeals provision, e.g. 1 April 2017 rating list figures.

The 2017 rating list has introduced a new appeals scheme called 'Check, Challenge, Appeal' due to many appeals previously being made speculatively and with little supporting information. This means that the ratepayer has to go through 2 stages before they get a chance to appeal and this can take many months. At the end of February there were no businesses who had made it to the Challenge stage giving us no indication of the level of provision to make against the 2017 list for appeals not yet lodged. When setting the 2016/17 multiplier for the new 2017 list an allowance of 4.7% was made by the Ministry of Housing, Communities and Local Government to provide for future appeal loss. Therefore we will be providing 4.7% of the gross rates payable for the 2018/2019 financial year.

Local Government Pension Scheme

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

Claims against the authority

A claim has been made against the council in respect of an unpaid invoice. The council's legal department has drafted a response and believes that there is no merit in the claim. Therefore no provision for the claim has been made.

Consideration of Group Accounts

The council joined a Local Authority owned company, Ubico Ltd, on the 1 April 2015. This company provides a range of environmental services for the council. The company is owned by 7 local government authorities. Each council has one share interest in Ubico Ltd.

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

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

The council has accounted for the cost incurred in operating a service contract with Ubico Ltd 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 Ltd's statement of accounts are available from Companies House.

Expected Credit Losses

Under IFRS9 the Council is required to consider impairment of financial instruments. As per the accounting policies all financial instruments assets held at amortised costs have been reviewed for expected credit losses. When considering the expected losses the Council has made judgements about the risk of default considering

- i) previous history of payment;
- ii) current status of the customers account;
- iii) the credit status of the customer; and
- iv) the general status of the industry that the customer operates in wider economic factors

Reviewing these criteria will establish the risk profile of the client, which we have categorised into

Risk category	Credit loss Risk	Amount of loss
	%	%
Very low risk	1	10
Low risk	5	25
Medium risk	15	50
High risk	25	75
In default	100	100

Depending on the risk level they have been identified in will then effect the judgement made about the level of losses that could be expected, discounted to their present value using the Bank of England base rate as an estimate of the future time value of money.

The above risk profiles provides as estimate of the expected credit losses, however these categories are for guidance only and where more detailed information is available then the Council will use its judgement as to what is appropriate risk and loss amount is.

Purchase of investment properties

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

- Edmund House, Leamington Spa (a fully let office building)
- Marks and Spencer, Walton on the Naze

There are no service related provisions in the any of the contracts and they are held purely for the capital appreciation and revenue return.

- Edmund House (Leamington Spa), Rugby Road, Leamington Spa, CV32 6EL was purchased for £3.86m and included existing tenants with a lease expiring 30 April 2033 and a break option in June 2028.

- Marks and Spencer, Arthur Ransome Way, Walton on The Naze, CO14 8FT was purchased for £4.47m with a lease break clause in 2033. This was a purpose built retail premise commissioned especially for Marks and Spencer.

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

The financial statements contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2019 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. In 2018/2019 there was a depreciation charge of £1,097k. A large change in valuation or useful life could increase or decrease the depreciation charge quite substantially. For example, Other Equipment and Vehicles had a total depreciation charge of £507k in 2018-19. If the useful life of these assets all decreased by 1 year this would increase the yearly charge to £613k.
EU Withdrawal (Brexit)	Despite a vote to leave the EU being held on 23 June 2016 the original 'Brexit' date of 29 March 2019 was extended and now we are due to leave by 31 October 2019. A withdrawal agreement has yet to be agreed and so the terms of any agreement (or even the possibility of a 'no deal Brexit') still poses many risks to the country.	If a 'no deal Brexit' occurs we may be subject to tariffs on imports meaning the costs of these would increase alongside potential fuel shortages and supply chain delays. This could impact on supplies we rely on to deliver our services. Ubico have already assessed the risks to their service delivery and identified key risk areas. The impact on the Council is managed through Management Team who have identified Brexit as a risk on their corporate risk register and also have it as a standing item on their 2 weekly meetings so any issues that arise can be dealt with quickly.
Arrears	At 31 March 2019, the Council had a balance on doubtful debts of £1.5m of which £1.4m related to a general provision. Housing benefit general provision is being maintained at 100% due to the level of debts increasing, increased pressure on those on benefits and the future introduction of Universal Credit.	If collection rates deteriorate then our revenue reserves would be impacted but we feel that the level of provision helps mitigate this potential risk.
Expected Credit Losses (ECL)	As at the 31 March 2019 the council has concluded that the estimated credit losses on financial assets held are not material at circa £90k, covering investments, trade & lease receivables. This is based on a judgement on the risk of default and potential loss as a result of default. As the estimated future loss is not material and would principally effect revenue the council has not reflected this loss in its balances.	If the risk assessment was to increase for each lease debtor and lease receivable by one category then the impact on the ECL estimate would be to increase the loss to £465k.

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).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 19 and 20.</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. 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 2018/2019 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 2019.</p> <p>Appeals provision required relating to periods prior to the 1 April 2017 has been estimated using the Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date, up to and including 31 March 2017.</p> <p>For appeals relating to the new valuation list from the 1 April 2017 there is no historical data about successful appeals. Therefore we have followed national guidance based on figures published by DCLG that a rate of 4.70% of the rateable value is a reasonable estimate of likely appeal costs.</p>	<p>The appeals provision (for pre 1st April 2017 valuation lists) has been calculated using historic data for appeal success per category of appeal (as provided by the Valuation Office - VOA). Using this data we have extrapolated an appeals figure assuming the success rate is representative of what will happen in future. There is a likelihood that some appeals will be settled differently to anticipated which could cause a large refund of previous years' rates. The provision this year is £6.4m (our share only). If successful appeals are significantly different from expectations the impact will be on short term cash flows, and that the Council will not achieve its budgeted income from business rates in that year.</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>The main demographic assumption is around the life expectancy of members. Hymans estimate that a one year increase in life expectancy would increase the Employer's Defined benefit Obligation by around 3-5%.</p>	
	<p>Change in assumptions at year ended 31 Mar 2019</p>	<p>Approx. % increase to Employer Liability</p>	<p>Approx. monetary amount (£'000)</p>
	0.5% decrease in Real Discount Rate	10%	8,797
	0.5% increase in the Salary Increase Rate	1%	1,108
	0.5% increase in the Pension Increase Rate (CPI)	9%	7,555

6. EXPENDITURE AND FUNDING ANALYSIS

	2017/2018	Net Expenditure in the CIES		2018/2019	Net Expenditure in the CIES	
	Net Expenditure Chargeable to the General Fund			Adjustments between the Funding and Accounting Basis (Note 12)		Net Expenditure Chargeable to the General Fund
	£'000	£'000		£'000	£'000	
	249	48	297	256	48	304
	2,781	1,290	4,071	2,175	1,263	3,438
	1,924	356	2,280	1,695	365	2,060
	632	25	657	673	24	697
	112	21	133	117	21	138
	-434	372	-62	794	381	1,176
	2,235	-1,099	1,136	1,859	-492	1,368
	258	253	511	279	268	547
	7,757	1,266	9,023	7,848	1,878	9,726
			Total Cost of Continuing Operations			
	1,808	-314	1,494	1,938	-376	1,563
	-1,525	1,633	108	-2,147	896	-1,251
	-10,606	-1,747	-12,353	-11,718	-2,050	-13,767
	-10,323	-428	-10,751	-11,926	-1,529	-13,455
	-2,566	838	-1,728	-4,078	349	-3,729
	8,044			10,610		
	2,566			4,078		
	10,610		Closing General Fund Balance at 31 March	14,688		
			Closing Balance made up of			
	550		General Fund Balance	800		
	10,060		Earmarked Reserves (note 13)	13,888		
	10,610			14,688		

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7. Note to the Expenditure and Funding Analysis

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement 2018/2019	Adjustment for Capital Purposes £'000	Net Change to the Pensions Adjustment £'000	Other Differences £'000	Total Adjustments £'000
Chief Executive Unit	0	-48	0	-48
Community Services	-1,076	-187	0	-1,263
Corporate Services	-61	-304	0	-365
Democratic Services	0	-23	0	-24
Deputy Chief Executive Unit	0	-21	0	-21
Development Services	-49	-332	0	-381
Finance and Asset	-1,213	1,705	0	492
One Legal	-40	-228	0	-268
Total Cost of Continuing Operations	-2,439	561	0	-1,878
Other Operating Expenditure	376	0	0	376
Financing and Investment Income and Expenditure	-144	-772	20	-896
Taxation and Non-Specific Grant Income and Expenditure	857	0	1,192	2,050
Difference between General Fund surplus or deficit and CIES surplus on the provision of services	-1,350	-211	1,212	-349

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Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement 2017/18	Adjustment for Capital Purposes £'000	Net Change to the Pensions Adjustment £'000	Other Differences £'000	Total Adjustments £'000
Chief Executive Unit	1	-49	0	-48
Community Services	-1,092	-198	0	-1,290
Corporate Services	-19	-337	0	-356
Democratic Services	-1	-24	0	-25
Deputy Chief Executive Unit	0	-21	0	-21
Development Services	-36	-336	0	-372
Finance and Asset	-377	1,505	-29	1,099
One Legal	0	-253	0	-253
Total Cost of Continuing Operations	-1,524	287	-29	-1,266
Other Operating Expenditure	314	0	0	314
Financing and Investment Income and Expenditure	-700	-794	-139	-1,633
Taxation and Non-Specific Grant Income and Expenditure	470	0	1,277	1,747
Difference between General Fund surplus or deficit and CIES surplus on the provision of services	-1,440	-507	1,109	-838

8. Segmental Income

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

	2017/2018	2018/2019
	£'000	£'000
Revenues from external customers		
Rents, Lettings, Wayleaves, Easements	-1,781	-2,693
Development Services - Planning Fees	-808	-945
One Legal - recharges for services to other LA`s	-778	-822
Community Services - Garden Waste Income	-653	-773

Income from Grants and Contributions is disclosed on Note 34.
No other material sources of income has been identified.

9. Expenditure & Income Analysed By Nature

	2017/2018	2018/2019
	£'000	£'000
Expenditure		
Employee Benefits	9,211	9,509
Other Services	27,656	26,427
Support Service Recharge	0	0
Capital Adjustments resulting in a loss	2,455	2,612
Interest Payments	60	403
Precepts and Levies	1,808	1,938
Payments to Housing Capital Receipts Pool	4	2
Gain on Disposal of Assets	0	0
Total Expenditure	<u>41,194</u>	<u>40,891</u>
Income		
Fees, Charges & Other Service Income	-9,212	-7,286
Interest & Investment Income	-361	-2,600
Capital adjustments resulting in a gain	-42	-223
Council Tax, Non-Domestic Rates & District Rates	-7,472	-8,040
Government Grants & Contributions	-25,835	-26,471
Total Income	<u>-42,922</u>	<u>-44,620</u>
Surplus/Deficit	<u>-1,728</u>	<u>-3,729</u>

10. 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 £750k.

11. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Finance & Asset Management on 24 May 2019. There are no events taking place after this date that need to be reflected in the financial statements or notes.

12. Adjustments Between Accounting Basis and Funding Basis Under Regulations

2017/2018 Usable Reserves				2018/2019 Usable Reserves		
General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000		General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000
Adjustments to revenue reserves						
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure statement are different from revenue for the year calculated in accordance with statutory requirements</i>						
-507	0	0	Pensions costs (transferred to (or from) the Pensions Reserve)	-211	0	0
-24	0	0	Financial instruments (transferred to the Financial Instruments Adjustment Account)	0	0	0
-137	0	0	Available for Sale (transferred from the Available for sale Adjustments Account)	20	0	0
1,178	0	0	Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	791	0	0
-5	0	0	Holiday pay (transferred to the Accumulated Absences Reserve)	-2	0	0
-1783	0	0	Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the capital adjustment account)	-2,204	0	0
-1,278	0	0	Total Adjustments to revenue resources	-1,606	0	0
Adjustments between revenue and capital resources						
318	-318	0	Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	378	-361	0
-4	4	0	Payments to the government housing receipts pool (funding by a transfer from the Capital receipts Reserve)	-2	2	0
98	0	0	Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	402	0	0
63	0	0	Capital Expenditure financed from revenue balances (transfers to the Capital Adjustment Account)	204	0	0
475	-314	0	Total adjustments between revenue and capital resources	982	-359	0
Adjustments to capital resources						
0	1,585	0	Use of the Capital Receipts Reserve to finance capital expenditure	0	1,046	0
-35	0	35	Receipt and Application of capital grants to finance capital expenditure	275	0	48
0	-6	0	Cash payments in relation to deferred capital receipts	0	-3	0
-35	1,579	35	Total adjustments to capital resources	275	1,043	48
-838	1,265	35	Total adjustments	-349	684	48

13. Movements in 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 2018/2019.

	Balance 31/03/2017 £'000	Movement 2017/2018 £'000	Balance 31/03/2018 £'000	Movement 2018/2019 £'000	Balance 31/03/2019 £'000
Asset Management Reserve****	522	635	1,157	32	1,189
Borough Growth Reserve	0	0	0	500	500
Borough Regeneration Reserve	7	0	7	-5	2
Business Rates Reserve*	1,490	-854	636	-137	499
Business Support Reserve	232	-12	220	-38	182
Business Transformation Reserve	322	34	356	337	693
Community Support Reserve	127	-13	114	-34	80
Development Management Reserve	104	134	238	-33	255
Development Policy Reserve	297	228	525	76	601
Elections Reserve	63	6	69	16	85
Flood Support and Protection Reserve	44	-30	14	-4	10
Health & Leisure Development reserve	28	-26	2	0	2
Horsford Reserve	48	5	53	7	60
Housing & Homeless Reserve	18	413	431	92	523
IT reserve	15	3	18	67	85
Mayors Charity Reserve	8	-2	6	0	6
MTFS Equalisation Reserve***	1,168	-302	866	134	1,000
Open Space & watercourse Reserve	0	0	0	729	679
Organisational Development Reserve	14	117	131	6	137
Planning Obligation Reserve **	2,708	1,401	4,109	1,700	5,809
Risk Management Reserve	8	-3	5	0	5
Transport Initiatives Reserves	342	178	520	-125	395
Uncommitted Reserve	0	47	47	-47	0
Waste & Recycling Development Reserve ***	29	507	536	555	1,091
Totals	7,594	2,466	10,060	3,828	13,888
Material Reserves					

* The Business Rates Reserve is required due to the accounting requirements of the retained business rates legislation. The financial statements reflect the position estimated prior to the start of the financial year rather than the true year end position.

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

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

**** The Asset Management Reserve is monies set aside to fund projects in relation to the council's property. Currently, the reserves are being used to support the council office refurbishment and to support and maintain the commercial properties purchased.

***** The Waste & Recycling Development Reserve is monies set aside as part of a 5 year plan to have sufficient fund for vehicle replacement.

14. Other Operating Expenditure

2017/2018 £'000		2018/2019 £'000
1,808	Parish Council Precepts	1,938
4	Payments to Government Housing Capital Receipts Pool	2
-42	Gains/Losses on Disposal Of Non-Current Assets	-223
-276	Other Income - Right to Buy Sales	-155
<u>1,494</u>		<u>1,563</u>

15. Financing & Investment Income & Expenditure

2017/2018 £'000		2018/2019 £'000
60	Interest payable and Similar Charges	403
-193	Interest receivable and similar income	-357
794	Net interest on the net defined benefit liability	772
700	Income and expenditure in relation to changes in investment properties fair value	144
-1,392	Income and expenditure in relation to investment properties	-2,193
139	Movement on available for sale investments	-20
<u>108</u>		<u>-1,251</u>

16. Taxation and Non Specific Grant Income and Expenditure

2017/2018 £'000		2018/2019 £'000
-5,489	Council Tax Income	-5,856
-1,596	Non-domestic rates income and expenditure	-2,183
-515	Revenue Support Grant	0
-4,283	Other Non-Ring fenced Government Grants	-4,870
-470	Capital Grants and Contributions	-857
<u>-12,353</u>		<u>-13,767</u>

17. Property, Plant and Equipment

Movements in 2018/2019

	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
Cost or Valuation							
At 1 April 2018	22,273	6,375	327	22	0	1,117	30,114
Additions	75	271	0	0	0	1,204	1,550
Transfers	2,192	0	0	0	0	-2,192	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	399	0	0	0	0	0	399
Revaluation increases/(decreases) to Surplus/Deficit on Provision of Services	-1,056	0	0	0	0	0	-1,056
Derecognition-disposals	0	-386	0	0	0	0	-386
Reclassified to/from Held for Sale	0	0	0	0	0	0	0
Other movements in cost or revaluation	0	0	0	1	0	0	1
At 31 March 2019	23,883	6,260	327	23	0	129	30,622
Accumulated Depreciation and Impairment							
At 1 April 2018	0	-3,662	-103	0	0	0	-3,765
Depreciation charge	-440	-648	-9	0	0	0	-1,097
Depreciation written out to Revaluation Reserve	296	0	0	0	0	0	296
Depreciation written out to the Surplus/Deficit on the Provision of Services	144	0	0	0	0	0	144
Derecognition-disposals	0	338	0	0	0	0	338
At 31 March 2019	0	-3,972	-112	0	0	0	-4,084
Net Book Value							
At 31 March 2019	23,883	2,288	215	23	0	129	26,538
At 31 March 2018	22,273	2,713	224	22	0	1,117	26,349

17. Property, Plant and Equipment (continued)

Movements in 2017/18 (restated)

	Other Land & Buildings (restated) £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Plant, Property & Equipment £'000
Cost or Valuation							
At 1 April 2017	22,365	6,042	327	22	0	5	28,761
Additions	0	578	0	0	0	1,112	1,690
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-87	0	0	0	0	0	-87
Revaluation increases/(decreases) to Surplus/Deficit on Provision of Services	-5	0	0	0	0	0	-5
Derecognition-disposals	0	-245	0	0	0	0	-245
Reclassified to/from Held for Sale	0	0	0	0	0	0	0
Other movements in cost or revaluation	0	0	0	0	0	0	0
At 31 March 2018	22,273	6,375	327	22	0	1,117	30,114
Accumulated Depreciation and Impairment							
At 1 April 2017	0	-3,290	-94	0	0	0	-3,384
Depreciation charge	-388	-617	-9	0	0	0	-1,014
Depreciation written out to Revaluation Reserve	388	0	0	0	0	0	388
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Derecognition-disposals	0	245	0	0	0	0	245
At 31 March 2018	0	-3,662	-103	0	0	0	-3,765
Net Book Value							
At 31 March 2018	22,273	2,713	224	22	0	1,117	26,349
At 31 March 2017	22,365	2,752	233	22	0	5	25,377

17. Property, Plant and Equipment (continued)

Depreciation

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

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

Capital Commitments

As at the 31 March 2019, the Council has not entered into any material capital contracts to undertake works on assets that are owned.

Effects of Changes in Estimates

In 2018/2019, the council made no changes to its accounting estimates for Property, Plant and Equipment.

Revaluations

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

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

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

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

	Other Land & Buildings	Vehicles, Plant & Equipment	Community and Infrastructure Assets	Assets under Construction	TOTAL
	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	0	2,288	238	0	2,526
Carried at cost incurred to date	0	0	0	129	129
Valued at current value	23,883	0	0	0	23,883
Total Cost or Valuation	23,883	2,288	238	129	26,538

18. 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 the council offices 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.

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.

19. 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:

2017/2018 £'000		2018/2019 £'000
-1,404	Rental income from investment property	-2,189
12	Direct operating expenses arising from investment property	20
-409	Net (gain)/loss	-2,169

Rental Income has increased from the previous year due to the purchase of 2 investment properties in the year with a total capital purchase of £8,516k.

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:

2017/2018 £'000		2018/2019 £'000
19,552	Balance 1 April	32,489
	Additions:	
13,638	Purchases	8,516
0	Construction	0
0	Subsequent expenditure	0
0	Disposals:	0
-701	Net gains/losses from fair value adjustments	-144
	Transfers:	
0	to/from Inventories	0
0	to/from Property, Plant and Equipment	0
32,489	Balance 31 March	40,861

Fair Value Hierarchy

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

	Quoted prices in active markets for identical assets (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (Level 3)	Fair Value as at the 31 March
Land	0	1,617	0	1,617
Commercial Units	0	38,783	0	38,783
Other	0	0	461	461
Total as at 31 March 2019	0	40,400	461	40,861

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

19. Investment Properties (continued)

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

Significant Observable Inputs – Level 2

Land, Industrial and Retail 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 locality. Market conditions for these asset types are such that the levels of observable inputs are significant leading to the properties being categorised at Level 2 in the fair value hierarchy.

Significant Unobservable Inputs – Level 3

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

The value of assets categorised within Level 3 as at the 31 March 2019 is £462k (value as at 31 March 2018 was £462k). There has been no change in the assets identified in this category.

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

	Valuation technique used to measure fair value	Unobservable Inputs	Range	Sensitivity
Golf Club	Comparative based on limited rental evidence	Rental Value	£30 - £60 psm	Changes in rental growth, yields, occupancy will result in a lower or higher fair value
		Yields	10% - 14%	
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.

20. Financial Instruments

Financial Instruments - Classifications

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council. The financial liabilities held by the Council during the year are accounted for under the following classifications:

1) Amortised Cost

The majority of the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and commercial lenders,
- short-term loans from other local authorities,
- trade payables for goods and services received.

2) Fair Value through Profit or Loss

The council does not hold any financial instruments which are designated in this category

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Long Term		Short Term	
	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000
Loans at amortised cost:				
- Principal sum borrowed	14,000	0	14,000	21,000
- Accrued interest	0	0	163	32
At fair value through profit & loss:				
- Fair value	0	0	0	0
Total Borrowing *	14,000	0	14,163	21,032
Liabilities at amortised cost:				
- Trade payables	0	0	393	562
Included in Creditors **	0	0	393	562
Total Financial Liabilities	14,000	0	14,556	21,594

* The total short-term borrowing includes £150k representing accrued interest on long-term borrowing, as well as the principal and interest due on repayments within 12 months.

** The creditors lines on the Balance Sheet include £9,397k (2018: £8,727k) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions, to give a total creditors figure of £9,790k per the Balance Sheet.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following classifications:

1) Amortised Cost

This is where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow and comprises:

- cash in hand,
- bank current and deposit accounts with Barclays bank,
- fixed term deposits and reverse repurchase agreements with banks and building societies,
- loans to other local authorities,
- loans to small companies and housing associations,
- trade receivables for goods and services provided.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

2) Fair Value through Other Comprehensive income

The council does not hold any financial instruments which are designated in this category

3) Fair Value through Profit and Loss

- money market funds managed by fund managers,
- property funds managed by the local authorities' mutual investment trust

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

Financial Assets	Long Term		Short Term	
	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000
<i>At amortised cost:</i>				
- Principal	0	2,000	11,000	8,000
- Accrued interest	0	4	40	16
<i>At fair value through profit & loss:</i>				
- Fair value	0	0	3,873	3,265
Total Investments	0	2,004	14,913	11,281
<i>At amortised cost:</i>				
- Principal	0	0	4,261	732
- Accrued interest	0	0	12	1
<i>At fair value through profit & loss:</i>				
- Fair value	0	0	850	910
Total Cash and Cash Equivalents	0	0	5,123	1,643
<i>At amortised cost:</i>				
- Trade receivables	320	364	2,052	2,566
Included in Debtors *	320	364	2,052	2,566
Total Financial Assets	320	2,368	22,088	15,490

* The debtors lines on the Balance Sheet include £1,927k (2018: £410k) short-term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions, to give a total for debtors on the Balance Sheet of £3,979k.

20. Financial Instruments (continued)

Financial Instruments - Gains and Losses

	Financial Liabilities		Financial Assets		2018/2019 Total £'000	2017/2018 Total £'000
	Amortised Cost	Fair Value - Profit & Loss	Amortised Cost	Fair Value - Profit & Loss		
	£'000	£'000	£'000	£'000		
Interest expense	403	0	0	0	403	60
Losses from change in fair value	0	0	0	0	0	139
Interest payable and similar charges **	403	0	0	0	403	199
Interest income	0	0	-191	0	-191	-193
Dividend income	0	0	0.00	-166	-166	0
Gains from changes in fair value	0	0	0	-20	-20	0
Impairment loss reversals	0	0	0	0	0	0
Interest and investment income **	0	0	-191	-186	-377	-193
Net impact on surplus/deficit on provision of services	403	0	-191	-186	26	6
Net Gain/(Loss) for the Year	403	0	-191	-186	26	6

Financial Instruments - Fair Values

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including shares in money market funds and other pooled funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. A calculation has been made of what their fair values would be by estimating the net present value of the remaining contractual cash flows at 31 March 2019, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

20. Financial Instruments (continued)

	Fair Value Level	Balance Sheet 31 March 2019 £'000	Fair Value 31 March 2019 £'000	Balance Sheet 31 March 2018 £'000	Fair Value 31 March 2018 £'000
FINANCIAL LIABILITIES					
<i>Financial liabilities held at amortised cost:</i>					
Long-term loans from PWLB	2	14,000	14,288	0	0
TOTAL		14,000	14,288	0	0
Liabilities for which fair value is not disclosed *		14,556		21,594	
TOTAL FINANCIAL LIABILITIES		28,556		21,594	
<i>Recorded on balance sheet as:</i>					
Short-term creditors		393		562	
Short-term borrowing		14,163		21,032	
Long-term borrowing		14,000		0	
TOTAL FINANCIAL LIABILITIES		28,556		21,594	

* The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

The fair value of Short term borrowing financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is lower than the current rates available for similar loans as at the Balance Sheet date. The difference between fair value and amortised cost is £11k, and therefore not material.

	Fair Value Level	Balance Sheet 31 March 2019 £'000	Fair Value 31 March 2019 £'000	Balance Sheet 31 March 2018 £'000	Fair Value 31 March 2018 £'000
FINANCIAL ASSETS					
<i>Financial assets held at fair value:</i>					
Money market funds	1	850	850	910	910
Bond, equity and property funds	1	3,873	3,873	3,265	3,265
TOTAL		4,723	4,723	4,175	4,175
Assets for which fair value is not disclosed *		17,685		13,683	
TOTAL FINANCIAL ASSETS		22,408		17,858	
<i>Recorded on balance sheet as:</i>					
Long-term debtors		320		364	
Long-term investments		0		2,004	
Short-term debtors		2,052		2,566	
Short-term investments		14,913		11,281	
Cash and cash equivalents		5,123		1,643	
TOTAL FINANCIAL ASSETS		22,408		17,858	

* The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

The fair value of short term investment financial assets held at amortised cost is higher than their balance sheet carrying amount because the interest rate on similar investments is now higher than that obtained when the investment was originally made. The difference between fair value and amortised cost is £87k, and therefore not material.

There have been no movements between fair value levels or in the valuation techniques used for the classification of Financial Instruments held between 2017/2018 and 2018/2019

Transition to IFRS 9 Financial Instruments

The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1 April 2018. The main impact of IFRS 9 is the reclassification of financial assets. As a result of the reclassification of financial assets held, there could then follow the remeasurement of financial assets and the earlier recognition of the impairment of financial assets.

Upon reclassification the Council reviewed the classification of financial assets and determined that there was no requirement for remeasurement as the relevant assets were already carried at the appropriate valuation. Also there are was no material impairment of financial assets that required disclosure.

The Council has made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements and the changes made on transition to the balance sheet are summarised below:

Note 20. Transition to IFRS 9 Financial Instruments (continued)

	IAS 39 31 March 2018	Re- classification	Pre- measurement	Impairment	IFRS 9 1 April 2018
	£'000	£'000	£'000	£'000	£'000
FINANCIAL ASSETS					
Investments					
Loans & receivables to Amortised cost	10,020	0	0	0	10,020
Available for sale to Fair Value through OCI*	3,265	-3,265	0	0	0
Fair Value through Profit & Loss	0	3,265	0	0	3,265
Total investments	13,285	0	0	0	13,285
Debtors					
Loans & receivables to Amortised cost	2,977	0	0	0	2,977
Available for sale to Fair Value through OCI*	0	0	0	0	0
Fair Value through Profit & Loss	0	0	0	0	0
Total debtors	2,977	0	0	0	2,977
Cash & cash equivalents					
Loans & receivables to Amortised cost	1,643	-910	0	0	733
Available for sale to Fair Value through OCI*	0	0	0	0	0
Fair Value through Profit & Loss	0	910	0	0	910
Total cash & equivalents	1,643	0	0	0	1,643
TOTAL FINANCIAL ASSETS	17,905	0	0	0	17,905
FINANCIAL LIABILITIES					
Borrowing					
Amortised cost	21,032	0	0	0	21,032
Creditors					
Amortised cost	562	-	0	0	562
Provisions					
Guarantees & commitments	0	0	0	0	0
Other long-term liabilities					
Amortised cost	0	0	0	0	0
TOTAL FINANCIAL LIABILITIES	21,594	0	0	0	21,594
NET FINANCIAL ASSETS	39,499	0	0	0	39,499

* OCI is Other Comprehensive Income

	IAS 39 31 March 2018	Re- classification	Pre- measurement	Impairment	IFRS 9 1 April 2018
	£'000	£'000	£'000	£'000	£'000
RESERVES					
Usable Reserves					
General Fund	10,610	0	0	0	10,610
Other usable reserves	1,979	0	0	0	1,979
Total usable reserves	12,589	0	0	0	12,589
Unusable Reserves					
Available for sale reserve	-140	140	0	0	0
Capital adjustment account	23,587	0	0	0	23,587
Deferred capital receipts	2	0	0	0	2
FI adjustment account	0	0	0	0	0
FI revaluation reserve	0	0	0	0	0
Pooled Investment Funds adjustment account	0	-140	0	0	-140
Other unusable reserves	-22,031	0	0	0	-22,031
Total unusable reserves	1,418	0	0	0	1,418
TOTAL RESERVES	14,007	0	0	0	14,007

21. Short Term Debtors

The balances outstanding at 31 March are summarised as follows:

	2017/2018 £'000	2018/2019 £'000
Central government bodies	466	1,220
Other local authorities	753	1,207
NHS bodies	2	0
Public corporations and trading funds	3	0
Other entities and individuals	3,158	3,037
Gross Debts	4,382	5,464
less Impairment Allowance	-1,406	-1,485
Total Net Debtors	2,976	3,979

22. Cash and Cash Equivalents

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

	2017/2018 £'000	2018/2019 £'000
Cash held by the council	252	211
Bank current accounts	-297	-178
Short-term deposits	1,643	5,124
Total Cash and Cash Equivalents	1,598	5,157

23. Short Term Creditors

The balances outstanding at 31 March are summarised as follows:

	2017/2018 £'000	2018/2019 £'000
Central government bodies	6,116	243
Other local authorities	1,550	7,331
NHS Bodies	0	1
Other entities and individuals	1,623	2,215
Total	9,289	9,790

24. Provisions

24.1 Short Term Provisions

	Outstanding Legal Cases	Other Provisions	Total
	£'000	£'000	£'000
Balance at 1 April 2018	256	1,759	2,015
Additional provisions made	4	2,749	2,753
Amounts used	-11	-1,715	-1,726
Unused amounts reversed	0	-31	-31
Balance at 31 March 2019	249	2,762	3,011

24.2 Long Term Provisions

	Outstanding Legal Cases	Other Provisions	Total
	£'000	£'000	£'000
Balance at 1 April 2018	0	2,317	2,317
Additional provisions made	0	3,630	3,630
Amounts used	0	-2,259	-2,259
Unused amounts reversed	0	-11	-11
Balance at 31 March 2019	0	3,677	3,677

Description of main provisions

Outstanding Legal Cases

There is an ongoing cases concerning VAT currently being defended by Her Majesty's Revenue and Customs through the EU concerning interest claims on Royal Mail fees.

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.

Other Provisions

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

The Executive Committee agreed on the 12 October 2016 to transfer deed of covenant for land at Queens Road to Severn Vale Housing Association as part of the wider Priors Park Community Project. The cost of the purchase has been split over seven years. As part of the agreement the council will grant fund the cost of purchasing the Deeds, as at the 31 March 2019 the grant due was £42,080.

24. Provisions (continued)

There is a provision of £6,368k at the 31 March 2019 relating to business rate appeals apportioned to the council. The appeals are from a range of organisations that have submitted appeals to the Valuation Office agency.

A provision of £241k has been included at 31 March 2019, which is to cover any ongoing legal costs incurred as part of the councils statutory responsibility to investigate a fatality in a retail premises in Tewkesbury Borough.

25. Usable Reserves

Movements in the council's usable reserves are detailed in the Movement in Reserves Statement and Notes 6 and 12 and 13.

26. Unusable Reserves

26.1 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.

2017/2018 £'000 restated		2018/2019 £'000
6,955	Balance at 1 April	7,174
301	Upward revaluation of assets & reversal of previous impairment losses	0
0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	695
-82	Difference between fair value depreciation and historical cost	-138
0	Accumulated gains on assets sold, scrapped or transferred	0
<u>7,174</u>	Balance at 31 March	<u>7,731</u>

26.2 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.

26.2 Unusable Reserves (continued)

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.

2017/2018 £'000 restated 23,532		2018/2019 £'000 23,587
	Balance at 1 April	
<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</i>		
-1,022	Charges for depreciation and impairment of non-current assets	-1,097
0	Revaluation losses on Property, Plant and Equipment	-1,413
-56	Amortisation of intangible assets	-52
-504	Revenue expenditure funded from capital under statute from Capital Grants	-491
-28	Revenue expenditure funded from capital under statute from Capital Receipts	-92
90	Adjusting amounts written out of the Revaluation Reserve	138
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	16
<i>Capital financing applied in the year:</i>		
1,700	Use of the Capital Receipts Reserve to finance new capital expenditure	1,046
390	Application of grants to capital financing from the Capital Grants Unapplied Account	906
99	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	403
91	Capital expenditure charged against the General Fund	204
-705	Movements in the market value of Investment and donated properties debited or credited to the Comprehensive Income and Expenditure Statement	357
0	Transferred Asset balance from Revaluation reserve	0
<u>23,587</u>	Balance at 31 March	<u>23,512</u>

26.3 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.

2017/2018 £'000		2018/2019 £'000
-30,704	Balance at 1 April	-28,883
2,328	Remeasurements of the net defined benefit liability/(asset)	-4,923
-507	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	-211
<u>-28,883</u>	Balance at 31 March	<u>-34,017</u>

26.4 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.

2017/2018 £'000		2018/2019 £'000
-1,405	Balance at 1 April	-228
1,177	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.	792
<u>-228</u>	Balance at 31 March	<u>564</u>

27. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2017/2018 £'000	Specific Inflows	2018/2019 £'000
-171	Interest received	-376
43	Interest paid	273
<u>-128</u>		<u>-103</u>

27. Cash Flow Statement – Operating Activities (continued)

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

2017/2018 £'000		2018/2019 £'000
-1,022	Depreciation	-1,097
-842	Impairment & downward valuations	-893
-56	Amortisation	-52
-145	Change in impairment for bad debts	-219
-48	Change in creditors	-3367
5,019	Change in debtors	1,876
0	Change in Inventories	0
-476	movement in pension liability	-138
0	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	74
-879	Other non-cash items charged to the net surplus or deficit on the provision of services	-2389
<u>1,551</u>		<u>-6,205</u>

28. Cash Flow Statement – Investing Activities

2017/2018 £'000		2018/2019 £'000
12,894	Purchase of property, plant and equipment, investment property and intangible assets	10,089
30,404	Purchase of short-term and long-term investments	34,589
	Other payments for investing activities	0
117	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-360
-23,000	Proceeds from short-term and long-term investments	-33,000
<u>20,415</u>	Net cash flows from investing activities	<u>11,318</u>

29. Cash Flow Statement – Financing Activities

2017/2018 £'000		2018/2019 £'000
-42,000	Cash receipts of short- and long-term borrowing	-58,000
-5,071	Other receipts from financing activities	2,057
36,000	Repayments of short- and long-term borrowing	51,000
99	Other payments for financing activities	0
<u>-10,972</u>	Net cash flows from financing activities	<u>-4,943</u>

30. Agency Services

The Council provides payroll services for the Wheatpieces Parish Council involving the payment of £36k to employees and £12k to Her Majesty's Revenue and Customs. The organisation pays £362 for the service

31. Members' Allowances

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

	2017/2018	2018/2019
	£'000	£'000
Allowances	336	335
Mileage & Subsistence	7	7
Other Expenses	1	1
Total Reimbursement	344	343

The above figures include a basic allowance for each member of £7.2k (2017/2018 £7.2k)

32. Officers' Remuneration

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

Post Title	Note	Year	Salary, Fees and Allowances £'000	Pension Contributions £'000	Total Remuneration £'000
Current Posts					
Chief Executive		2018/2019	116	20	136
		2017/2018	113	20	133
Deputy Chief Executive		2018/2019	87	15	102
		2017/2018	83	14	97
Borough Solicitor	1	2018/2019	92	16	108
		2017/2018	88	15	103
Section 151 Officer (Chief Finance Officer)		2018/2019	73	13	86
		2017/2018	70	12	82
Total		2018/2019	368	64	432
		2017/2018	354	61	415

Notes

1. The Borough Solicitor provides services for both the council and Cheltenham Borough Council. She is formally employed by the council and Cheltenham Borough is recharged 34.79% of her salary and other remuneration.

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	
		2017/2018 Total	2018/2019 Total
50,000 - 54,999		1	1
55,000 - 59,999		3	2
60,000 - 64,999		3	2
65,000 - 69,999		0	2
70,000 - 74,999		0	1
		7	8

32. Officers' Remuneration (continued)

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 redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band		
	£	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018 £'000	2018/2019 £'000
0 - 20,000		0	0	0	0	0	0	0	0
20,001 - 40,000		1	1	0	0	1	1	29	35
40,001 - 60,000		0	0	0	1	0	1	0	48
60,001 - 80,000		0	0	0	0	0	0	0	0
Total		1	1	0	1	1	2	29	83

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Termination Benefits

There is no potential termination benefits due in the 2019/2020 financial year as a result of decisions made before the 31 March 2019.

33. 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:

	2017/2018 £'000	2018/2019 £'000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor.	45	35
Fees payable to Grant Thornton (outside the scope of the PSAA) for the certification of grant claims and returns.	13	8
	<u>58</u>	<u>43</u>

34. Grant Income

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

	2017/2018 £'000	2018/2019 £'000
Credited to Taxation and Non Specific Grant Income		
S.31 Grants & Contributions (supporting the NDR regime)	-256	-1,691
Revenue Support Grant	-515	0
New Homes Bonus Grant	-3,218	-3,180
Small Business Relief Grant	-797	0
Other Grants	-12	0
	<u>-4,798</u>	<u>-4,871</u>
Capital Grants		
Disabled Facilities Grants	-428	-483
Other Capital Grants	-42	-374
	<u>-470</u>	<u>-857</u>
Total	<u>-5,268</u>	<u>-5,728</u>

34. Grant Income (continued)

	2017/2018 £'000	2018/2019 £'000
Grants Credited to Services		
Ministry of Housing, Community & Local Govt		
Local Taxation Administration Grants	0	-145
Planning Related Grants	0	-299
Homelessness Grants		-236
Capability Funding Grant	-305	0
Other DCLG Grants	-295	-75
Dept. Work & Pensions Grants		
Housing Benefit Administration & Associated Grants	-250	-181
Housing Benefit Grant	-18,647	-16,010
Discretionary Housing Payments Subsidy		-122
Other DWP Grants	-26	-177
Homes & Communities		
LSIF Funding	-70	0
Cabinet Office		
European Elections	0	0
Other Grants	-153	-12
Other Government Grants	0	-24
Contributions Credited to Services		
Gloucestershire County Council Contributions		
Strategic Planner	0	-45
Waste Incentive Contributions	-100	-100
Large Sites Infrastructure Fund	-50	0
Youth Offending	-71	0
Flood Works and Water Management	-22	0
Other GCC contributions	-111	-67
Transfer of Places of Safety Funding from Forest of Dean	-441	0
Strategic Planner - Contributions from various Local Councils	0	-30
Other Contributions from Central Government bodies	-28	-18
Other Contributions from Other bodies	0	-30
Contributions in relation to S.106 agreements	-1,838	-3,174
Total	<u><u>-22,407</u></u>	<u><u>-20,745</u></u>
Grand Total	<u><u>-27,675</u></u>	<u><u>-26,473</u></u>

35. Related Party Transactions

The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers of the accounts to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

Central Government

The UK Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 34.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2018/2019 is shown in Note 31. Details of transactions involving Members of the Council are recorded in the Register of Members' Interest, which is open to public inspection. All contracts and payments were made in accordance with the Council's Contract Procedure Rules.

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

During the year we had an arrangement to share our Monitoring Officer with Cheltenham Borough Council. As this is a senior role with independent statutory powers it is disclosed within Note 32.

Declarations made involving material financial transactions are listed below:

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

Precepts for the County and the Police Authority are shown in the Collection Fund. Total of precepts paid to parishes are shown in the Comprehensive Income and Expenditure Account on Note 14.

In addition to council tax and business rate precepts, the Council also made payments of £153K for both grants and services to Gloucestershire County Council. 6 Borough Council members also declared a relationship with the County Council during 2018-19.

The Council provides grant funding which is available to parish councils. Many borough members are also parish council representatives or have a relationship with the council that they have declared. Below is an analysis of significant funding awards made to Parish Councils during 2018/2019

		No. of Members	Payments other than precepts
			£'000
Parish Councils:	Minsterworth	1	1
	Northway	2	5
	Tewkesbury Town	4	1

35. Related Party Transactions (continued)

General Related Parties

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

Individual Borough Councillors declared the following significant related parties to the Head of Finance and Asset Management

Related Party	No. of Members	Payments 2018/2019 £'000
Cleeve Common Board of Conservators	2	25
Cotswold AONB (Cotswold conservation board)	1	5
UBICO Ltd	1	4,529
Dinky Street	1	1
S K Pest Control	1	1
DFG - Mike's Plumbing & Heating	1	3
Northway Youth Club	1	1
Gloucestershire Rural Community Council	1	21

Officers

There were no transactions between Tewkesbury Borough Council and related parties disclosed by officers relating to the 2018/2019 financial year.

36. 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.

	2017/2018 £'000	2018/2019 £'000
Opening Capital Financing Requirement	15,140	28,679
Capital Investment		
Property Plant & Equipment	1,690	1,550
Investment Asset	13,638	8,516
Intangible assets	73	23
Revenue Expenditure Funded from Capital Under Statute	533	582
	<u>15,934</u>	<u>10,671</u>
Sources of finance		
Capital receipts	-1,700	-1,046
Government grants and other contributions	-505	-906
Sums set aside from revenue:		
Direct Revenue Contributions	-91	-204
Minimum Revenue Provision	-99	-403
	<u>-2,395</u>	<u>-2,559</u>
Closing Capital Financing Requirement	<u>28,679</u>	<u>36,791</u>
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by Government financial assistance)	13,547	8,112
Increase/(decrease) in Capital Financing Requirement	<u>13,547</u>	<u>8,112</u>

37. Leases

The Council as Lessee

Operating Leases

The council has a number of operating leases. The primary leases involved are:

Land Land for Bishops Walk Car Park
Equipment Xerox Photocopiers & Printers lease

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

	31 March 2018	31 March 2019
	£'000	£'000
Not later than one year	69	61
Later than one year and not later than five years	220	159
Later than five years	53	0
	<u>342</u>	<u>220</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:

	2017/2018	2018/2019
	£'000	£'000
Minimum Lease Payments	67	62
	<u>67</u>	<u>62</u>

37. Leases (continued)

The Council as Lessor

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

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

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

- For income generation purposes

A commercial office and industrial unit in Ashchurch near Tewkesbury
Two commercial industrial units at Clevedon, Somerset
Rental of office space within the Council Offices
Golf Clubhouse & Car Parking
Residential Office, The Chase, Hertfordshire
Industrial Unit in Trowbridge
Industrial Units, SPL International, Ellesmere Port
Commercial Unit in Walton on the Naze
Commercial Unit in Leamington Spa
Rental of storage space at Lower Lode Depot

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

	31 March 2018	31 March 2019
	£'000	£'000
Not later than one year	2,010	2,571
Later than one year and not later than five years	7,797	9,817
Later than five years	12,769	18,795
	<u>22,576</u>	<u>31,183</u>

The increase in the income from leasing is due to purchasing two investment properties during 2018/2019 and the rental of additional office space within the council offices. The annual rent from the two new investment properties is £457k. The annual rent from the extra office space leased at the council offices is £58k.

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into and post the balance sheet date, such as adjustments following rent reviews.

Contingent rents received in the year were:

	2017/2018	2018/2019
	£'000	£'000
Contingent Rents	131	76

38. Defined Benefit Pension Schemes

38.1 Participation in Pension Schemes

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

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

38.2 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:

a). Comprehensive Income and Expenditure Statement	2017/2018	2018/2019
	£'000	£'000
Cost of Services:		
- Current service cost	2,259	2,189
- gain/(loss) on settlements	11	0
Financing and Investment Income and Expenditure		
- Net interest expense	794	772
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	3,064	2,961
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
- Return on plan assets (excluding the amount included in the net interest expense)	-873	-1,500
- Actuarial gains and losses arising on changes in demographic assumptions	0	0
- Actuarial gains and losses arising on changes in financial assumptions	-1,461	6,383
- Other	6	40
	-2,328	4,923
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	736	7,884

38. Defined Benefit Pension Schemes (continued)

b). Movement in Reserves Statement	2017/2018 £'000	2018/2019 £'000
- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	-3,064	-2,961
Actual amount charged against the General Fund Balance for pensions in the year:		
- Employers' contributions payable to scheme	2,557	2,750

38.3 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:

	2017/2018 £'000	2018/2019 £'000
Present value of the defined benefit obligation	79,675	88,572
Fair value of plan assets	-50,792	-54,555
Net liability arising from defined benefit obligation	<u>28,883</u>	<u>34,017</u>

38.4 Reconciliation of the Movements in Fair Value of the Scheme Assets:

	2017/2018 £'000	2018/2019 £'000
Opening fair value of scheme assets at 1 April	47,968	50,792
Interest income	1,255	1,382
Effect of Settlements	0	0
Remeasurement gain/(loss):		
- The return on plan assets, excluding the amount included in the net interest expense	873	1,500
Other		
Contributions from employer	2,557	2,750
Contributions from employees into the scheme	358	357
Benefits paid	-2,219	-2,226
Closing fair value of scheme assets at 31 March	<u>50,792</u>	<u>54,555</u>

38. Defined Benefit Pension Schemes (continued)

38.5 Reconciliation of Present Value of the Scheme Liabilities:

	2017/2018 £'000	2018/2019 £'000
Opening balance at 1 April	78,672	79,675
Current service cost	2,259	2,189
Effect of Settlements	0	0
Interest cost	2,049	2,154
Contributions from scheme participants	358	357
Remeasurement gain/(loss):		
- Actuarial gains/losses arising from changes in demographic assumptions	0	0
- Actuarial gains/losses arising from changes in financial assumptions	-1,461	6,383
- Other	6	40
Past Service Cost	11	0
Benefits paid	-2,219	-2,226
Closing balance at 31 March	79,675	88,572

38.6 Local Government Pension Scheme assets comprised:

Asset category	Period Ended 31 March 2018				Period Ended 31 March 2019			
	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	9,275	0	9,275	18%	0	0	0	0%
Debt Securities	6,803	0	6,803	13%	7,523	0	7,523	14%
Private Equity	0	129	129	0%	0	120	120	0%
Real Estate	2,475	1,070	3,545	7%	3,460	1,498	4,958	9%
Investment Funds and Unit Trusts	5,089	25,179	30,268	60%	7,651	33,307	40,958	75%
Derivatives	39	0	39	1%	-7	0	-7	0%
Cash and Cash Equivalents	734	0	734	1%	1,004	0	1,004	2%
Totals	24,415	26,378	50,793	100%	19,631	34,925	54,556	100%

38. Defined Benefit Pension Schemes (continued)

38.7 Basis for Estimating Assets and Liabilities

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

The significant assumptions used by the actuary have been:

	2017/2018	2018/2019
Long-term expected rate of return on assets in the scheme:		
Equity investments	2.7%	2.9%
Bonds	2.7%	2.9%
Property	2.7%	2.9%
Cash	2.7%	2.9%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
• Men	22.4	22.4
• Women	24.6	24.6
Longevity at 65 for future pensioners:		
• Men	24.0	24.0
• Women	26.4	26.4
Rate of inflation	2.4%	2.4%
Rate of increase in salaries	2.7%	2.8%
Rate of increase in pensions	2.4%	2.5%
Rate for discounting scheme liabilities	2.7%	2.4%

38.8 Commutation

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

38.9 Sensitivity Analysis

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

38. Defined Benefit Pension Schemes (continued)

Impact on the Defined Benefit Obligation in the scheme

Change in assumptions at year ended 31 March 2019	Approx. % increase to Employer Liability	Approx. monetary amount (£'000)
0.5% decrease in Real Discount Rate	10%	8,797
0.5% increase in the Salary Increase Rate	1%	1,108
0.5% increase in the Pension Increase Rate (CPI)	9%	7,555

38.10 Impact on the council's Cash Flows

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

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

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

	% of payroll		Monetary amount
Certified rates for the year ending:			
31 March 2020	17.5%	plus	1,968

38.11 Potential Impact on the Pension Fund of the McCloud Ruling

The McCloud legal challenge successfully argued that the public sector pension scheme transition arrangements were discriminatory on age grounds. Although the impact of this ruling is not yet known our actuary has modelled the potential impact of this on Tewkesbury Borough Council and determined that the past service cost relating to this could result in an increase of £174k in the pension liability. As this is not material we have not changed the figures in the accounts.

39. Contingent Assets & Liabilities

39.1 Contingent Assets

There are no identified contingent assets in 2018/2019.

39.2 Contingent Liabilities

The Council has provided a financial indemnity to Rooftop Housing regarding the sale of a garage site to them in March 2019. This sale was on the basis of obtaining planning permission to convert the site into social housing. The planning permission was granted on the 18 March 2019. The guarantee provides an immaterial level of cover should a claim be made disputing ownership of garages on this site. As at 31 March 2019 no legal claims have been made to either Rooftop or the Council.

Note 40. 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 Treasury management strategy is approved annually by Executive committee. Below are the strategy setting approach to 2018/2019 and the most recent strategy approved on the 29 January 2019

Tewkesbury Borough Council - Agenda for Council on 29 January 2019

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

(please note that content on the councils website referred to above is not subject to audit and not covered by the auditors opinion on the financial statements)

Credit Risk

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

Deposits with banks and financial institutions

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

The Council has treasury management advisors who support the Council in managing the risk profiles from investments and identifying suitable organisation to invest in. They have access to a wide range of information such as financial statements, quality press and other market measures. Due to the current economic environment and the reducing level of balances available to invest the treasury management policy is that a maximum of £4m can be lent to any one institution (including group companies) apart from our current account bank Barclays Bank PLC.

Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Note 40. Nature and extent of risks arising from financial instruments (continued)

Specified Investments

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

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

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

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

Current account bank

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

Non-specified Investments

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

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

The total limit on long-term cash investments, and the total limit on non-specified investments is £12m.

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.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, adjusted for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a “D” credit rating or equivalent.

At 31 March 2019 the loss allowance estimate for the loan portfolio is calculated to be £2k. This loss allowance is not material to the accounts and so no adjustment has been made to balances held in the financial statements.

Credit exposures to the authority’s customers.

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

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

Note 40. Nature and extent of risks arising from financial instruments (continued)

	Rating	Amount outstanding at 31 March 2019	Historical experience of default (adj. for market conditions)	Estimated maximum exposure to default and collectability at 31 March 2018	Estimated maximum exposure to default and collectability at 31 March 2019
		£'000		£'000	£'000
Customers		993	0.03%	1	1

The Council does not generally allow credit for customers. Currently £153k of the £993k 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.

	Loss Allowance Calculation	31st March 2018	31st March 2019
	%	£'000	£'000
Less than three months	5	267	38
Three to six months	10	57	56
Six Months to one year	15	22	48
More than one year	>20	14	11
TOTAL		360	153

Loss allowances on trade receivables and contract assets have been calculated by reference to the Council's historic experience of default. The Council calculates the loss allowance using the % shown in the table above.

The Council has also considered its credit exposure in relation to lease receivables. There are not sophisticated credit risk management systems available and so a simplified approach using lifetime expected credit losses has been used. In calculating the credit risk on these financial assets reference has been made to historic experience of default of annual rental payments, current status of the lessors obligations to pay as well as review of available credit ratings.

At 31 March 2019 the lifetime loss allowance estimate, covering the entire lease receivables portfolio held, has been calculated to be £82k. This loss allowance is not material to the accounts. It represents an estimated future loss of income on the revenue account, and not to any balances held as at the Balance Sheet date. Should a lessee default on its contractual obligations the impact would be on the revenue budget which is set annually and would be adjusted as part of budget setting should the risk of default increase substantially. For the 2019/2020 financial year there are no identified risks of default occurring.

The Council has set aside a reserve of £466k to cover the risks of any annual loss of income from its lease receivables, whether it is due to need to undertake repairs & maintenance, a gap between lessees or from loss of income through default.

The Council has no reason to expect any losses from counterparties in relation to financial instruments held. The Council can utilise the unallocated revenue reserves of £800k (working balance as at 31 March 2019) to cover any unexpected losses.

Note 40. Nature and extent of risks arising from financial instruments (continued)

Liquidity Risk

The Council uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a pessimistic basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. As the Council has ready access to borrowings from the Public Works Loan Board and an active lending market, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. With total investments of £14.873m, all of which is maturing in less than a year (and cash and cash equivalents of £5.112m) the Council has no significant liquidity risk.

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

The maturity analysis of financial liabilities is as follows:

	31st March 2018 £'000	31st March 2019 £'000
Less than one year	21,032	14,013
Between one and two years	0	0
Between two and five years	0	0
More than five years	0	14,149
TOTAL	<u>21,032</u>	<u>28,162</u>

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 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 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.

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.

Note 40. Nature and extent of risks arising from financial instruments (continued)

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

As the Council only has fixed rate investments which are short term and equity investments a change in the interest rate would have minimal effect on the Council. However the impact of a 1% increase in interest rates on the short term investment and borrowing portfolio as at the 31 March 19 would be an additional cost of £22k.

Price Risk

The Council does not generally invest in equity shares but does have exposure to shares in the CCLA Property Fund. The Council is consequently exposed to losses arising from movements in the prices of the shares.

The shares in the funds mentioned above are all classified as 'fair value through profit and loss' 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 £193k gain or loss being recognised in the Other Comprehensive Income and Expenditure for 2018/2019.

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.

41. 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.

	2017/2018	2018/2019
	£'000	£'000
Income	8	10
Expenditure	-3	-3
	<u>5</u>	<u>7</u>

Reserve held on behalf of the Trust is carried in our balance sheet. In 2018/2019 it was £60k (£52k in 2017/2018).

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.

COLLECTION FUND

2017/2018			Note	2018/2019			
£'000	£'000	£'000		£'000	£'000	£'000	
Business rates	Council Tax	Total	Business rates	Council Tax	Total		
Income							
0	51,995	51,995	Council Tax Receivable	4	0	55,761	55,761
			<i>Transfer from General Fund:</i>		0	0	
36,859	0	36,859	Business Rates Receivable		38,728	0	38,728
586	0	586	Transitional Relief		1,002	0	1,002
0	0	0	Contributions to deficit		1,920	0	1,920
37,445	51,995	89,440	Total Income		41,650	55,761	97,411
Expenditure							
			Precepts, Demands and Shares	2			
17,522	0	17,522	Payments to Central Government		0	0	0
14,497	5,363	19,860	Tewkesbury Borough Council		18,030	5,810	23,840
3,504	38,340	41,844	Gloucestershire County Council		17,769	41,721	59,490
0	6,974	6,974	Gloucestershire Police Authority		0	7,669	7,669
124	0	124	Cost of Collection Allowance		123	0	123
35,647	50,677	86,324			35,922	55,200	91,122
			Bad and Doubtful Debts:				
54	105	159	Write Offs		128	57	185
31	12	43	Provisions		31	68	99
1,713	0	1,713	Provision for appeals		2,828	0	2,828
1,798	117	1,915			2,987	125	3,112
			Transfer of Collection Fund				
-2,076	640	-1,436	Surplus	4	0	1,580	1,580
35,369	51,434	86,803	Total Expenditure		38,909	56,905	95,814
2,076	561	2,637	Surplus/(Deficit)		2,741	-1,144	1,597
Movement on Fund							4
-3,866	1,341	-2,525	Balance at 1st April		-1,790	1,902	112
2,076	561	2,637	Surplus/(Deficit)		2,741	-1,144	1,597
-1,790	1,902	112	Balance as at 31st March		951	758	1,709
Allocated to:							
-895	0	-895	Central Government		64	0	64
-716	201	-515	Tewkesbury Borough Council		463	80	543
-179	1,439	1,260	Gloucestershire County Council		424	573	997
0	262	262	Gloucestershire Police Authority		0	105	105
-1,790	1,902	112			951	758	1,709

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.

In the current financial year the Council has returned to being part of the Gloucestershire Business Rates Pool. The Pool is also part of a pilot scheme to retain 100% of business rates growth. This means that all income, assets and liabilities are split 50:50 between Tewkesbury Borough Council and Gloucestershire County Council. As part of the Gloucestershire Pilot we share our income with the pool, which has benefit of no levy on the growth above the business rates funding baseline, set by central government. Any gains from being part of the pool is put into the Gloucestershire Strategic Partnership Fund first, and then shared out amongst the various partners. In 2018/2019 the Council received an additional £883k from being part of the pilot

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 1 April 1991. Each band has a multiplier on which the eventual tax is set. The only exception is where properties have been adapted for physically disabled residents where a special band has been introduced.

The valuation banding and multipliers are as follows:

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

Notes to the Collection Fund (continued)

2.2 Council Tax Base

For 2018/2019 the tax base was 33,858.60 (32,512.32 in 2017/2018). This increase was mainly due to property growth in the borough.

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

The 2018/2019 base was calculated as follows:

Band	Number of Chargeable Dwellings	Multiplier	Band D Equivalents
Z	23.73	5/9	13.18
A	5330.2	6/9	3,553.47
B	5624.47	7/9	4,374.59
C	10095.96	8/9	8,974.19
D	5470.05	9/9	5,470.05
E	4670.47	11/9	5,708.35
F	3056.46	13/9	4,414.89
G	1756.48	15/9	2,927.47
H	175.5	18/9	351.00
Total Band D Equivalents			35,787.19
Growth Adjustment			-1,966.97
Collection Rate			98.50%
Chargeable Band D Equivalents			33,312.93
Armed Forces class 'O' contributions in lieu of Council Tax			545.67
Council Tax Base			33,858.60

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:

	2017/2018 £'000	2018/2019 £'000
Gloucestershire County Council	38,340	41,721
Police Authority	6,974	7,669
Tewkesbury Borough Council	3,556	3,872
Total for Parishes	1,807	1,938
	50,677	55,200

The Council set an average council tax level for 2018/2019 at Band D of £1,573.06, including Parish precepts (1,558.71 in 2017/2018). This is broken down as follows:

Notes to the Collection Fund (continued)

	2017/2018	2018/2019
	£	£
Gloucestershire County Council	1,179.26	1,232.21
Police Authority	214.49	226.49
Tewkesbury Borough Council	109.36	114.36
	1,503.11	1,573.06

The Band D tax level for Parish budgets ranged from nil to £114.73

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 £91,842,894 at 31 March 2019 (90,801,413 at 31 March 2018), multiplied by a uniform rate in the pound set by Central Government. The government provided a reduced rate for businesses with small rateable values of less than £18,000. For 2018/2019 this was set at 48.0p (2017/2018 46.4p), with the standard rate in the pound being 49.3p (2017/2018 47.9p) for the year.

4. Movements on Fund Balance

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

	Council Tax £'000
Balance at 1 April 2018	1,902
Income 2018/2019	-55,761
Precepts & Expenses 2018/2019	55,325
Surplus Distributed 2018/2019	1,580
Balance at 31 March 2018	758
Committed Distribution 2019/2020	390
Balances for distribution 2019/2020	368

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.

Report on the Audit of the Financial Statements**Opinion**

We have audited the financial statements of Tewkesbury Borough Council (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Head of Finance and Asset Management's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Finance and Asset Management has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority, the Head of Finance and Asset Management and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance and Asset Management. The Head of Finance and Asset Management is responsible for the preparation of the Financial Statements for the year ended 31 March 2019, 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Head of Finance and Asset Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Tewkesbury Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

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

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

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 31st 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 31st 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 1st April to 31st 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 31st 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.



Grant Thornton

An instinct for growth™

Our ref: Tewkesbury 201920/JM/GH

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8 April 2019

Dear Simon

Planned audit fee for 2019/20

The Local Audit and Accountability Act 2014 (the Act) provides the framework for local public audit. Public Sector Audit Appointments Ltd (PSAA) has been specified as an appointing person under the Act and the Local Authority (Appointing Person) Regulations 2015 and had the power to make auditor appointments for audits of opted- in local government bodies from 2018/19.

For opted- in bodies PSAA's responsibilities also include setting fees and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

All grant work, including housing benefit certification, falls outside the PSAA contract, as PSAA no longer has the power to make appointments for assurance on grant claims and returns. Any assurance engagements will therefore be subject to separate engagements agreed between the grant-paying body, the Council and ourselves and separate fees agreed with the Council.

Scale fee

PSAA published the 2019/20 scale fees for opted-in bodies at the end of March 2019, following a consultation process. Individual scale fees have been maintained at the same level as in 2018/19, unless there were specific circumstances which required otherwise. Further details are set out on the [PSAA website](#). The Council's scale fee for 2019/20 has been set by PSAA at £34,589 which is the same as in 2018/19.

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes'.

The audit planning process for 2019/20, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

There are no changes to the overall work programme for audits of local government audited bodies for 2019/20. Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors. Audits of the accounts for 2019/20 will be undertaken under this Code. Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

- our audit of your financial statements;
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion); and
- our work on your whole of government accounts return (if applicable).

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

The Code requires us to consider whether 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.

The NAO issued its latest guidance for auditors on value for money work in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance 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.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2019	8,647.25
December 2019	8,647.25
March 2020	8,647.25
June 2020	8,647.25
Total	34,589

Outline audit timetable

We will undertake our audit planning and interim audit procedures in January to March 2020. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in June 2020 and work on the whole of government accounts return in July 2020 if applicable.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	January to March 2020	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June to July 2020	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.

Phase of work	Timing	Outputs	Comments
VfM conclusion	July 2020	Audit Findings (Report to those charged with governance)	As above
Annual audit letter	August 2020	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.

Our team

The key members of the audit team for 2019/20 are:

	Name	Phone Number	E-mail
Engagement Lead	Julie Masci	029 2034 7506	julie.masci@uk.gt.com
Engagement Manager	Grace Hawkins	029 2034 7542	grace.e.hawkins@uk.gt.com
In Charge Auditor	Beth Garner	0117 305 7726	beth.ac.garner@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed, and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high-quality service. If you are in any way dissatisfied or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively, you may wish to contact Jon Roberts our Head of Assurance, via jon.roberts@uk.gt.com.

Yours sincerely



Julie Masci

Engagement Lead

For and on behalf of Grant Thornton UK LLP

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit and Governance Committee
Date of Meeting:	24 July 2019
Subject:	Internal Audit Monitoring Report
Report of:	Chief Audit Executive (Head of Corporate Services)
Corporate Lead:	Chief Executive
Lead Member:	Lead Member Corporate Governance
Number of Appendices:	3

Executive Summary:

The monitoring report is the final report of audits concluded within the 2018/19 financial year. The report also provides an overview of audit recommendations followed-up since the last report to Audit and Governance Committee. Appendix 1 is the internal audit opinion for each individual audit assignment completed in the period. Appendix Two provides details of audit recommendations that have been followed-up and by using a Red, Amber, Green (RAG) key identifies whether the recommendations have been implemented or not. Appendix 3 provides an overview on the status of the Internal Audit Plan.

Recommendation:

To CONSIDER the audit work completed and the assurance given on the adequacy of internal controls operating in the systems audited.

Reasons for Recommendation:

The Public Sector Internal Audit Standards (PSIAS) state that the Chief Audit Executive (CAE) must report functionally to the board. This includes reporting on internal audit's activity relative to its plan.

Resource Implications:

None arising directly from this report.

Legal Implications:

By monitoring the implementation of their recommendations, internal audit assists the Council to minimise risk areas and thereby reduce the prospects of legal challenge.

Risk Management Implications:

If the CAE does not report functionally to the board then this does not comply with PSIAS.
 If there are delays in response to the acceptance or implementation of internal audit recommendations, this potentially increases the risk of fraud, error, inefficiency or areas of non-compliance within the systems audited.

Performance Management Follow-up:

All internal audit recommendations are followed-up within appropriate timescales to give assurance they have been implemented. Where a recommendation has not been implemented and it has missed two agreed implementation dates then a responsible Officer must attend Committee to answer any questions that arise.

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

1.1 Internal audit work to a six month audit plan. This monitoring report summarises the work of the Internal Audit Team since the last monitoring report that was presented to Committee on 28 March 2019. It is a requirement of the Public Sector Internal Audit Standards (PSIAS) that the Chief Audit Executive (Head of Corporate Services) reports formally to the 'board' (Audit and Governance Committee) on the work of internal audit.

2.0 COMPLETED AUDIT ASSIGNMENTS FOR THE PERIOD

2.1 The majority of audit opinions in relation to the 2018/19 Audit Plan have been reported during the course of the year to the Audit and Governance Committee. This report is therefore a 'mop-up' of 2018/19 related activity. Any 2018/19 related audits that have yet to be completed will be reported during 2019/20. Days were allocated in the six month audit plan approved by Audit and Governance Committee on 28 March 2019 for outstanding work to be carried forward.

2.2 Appendix 1 sets out the internal audit opinion for the final audit assignments completed in 2018/19. Appendix 2 provides details of previous audit recommendations that have been followed-up and, by using a Red, Amber, Green (RAG) key, identifies whether the recommendations have been implemented or not. All recommendations that were due for follow-up, have been followed-up. Appendix 3 provides an overview on the status of the Internal Audit Plan.

2.3 When reporting, a 'split' opinion can be given. This means an individual opinion is given for each risk category identified. 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 audit of the project management framework, an element of this framework has been concluded as 'limited'. This relates to ensuring there is consistent application of supporting documentation, such as risk registers.

3.0 FOLLOW-UP OF INTERNAL AUDIT RECOMMENDATIONS

3.1 All audit recommendations that were due to be followed-up in the period have been followed-up. This provides the Committee with an overview of the breadth of work undertaken and allows Members to monitor the implementation of the audit recommendations. The list of these recommendations and their status can be found in Appendix 2. Of the 10 recommendations followed-up during the period, seven have been implemented, two partially implemented and one yet to be implemented.

3.2 In relation to the recommendations partially implemented or yet to be implemented, revised implementation dates have been agreed. As detailed on the summary sheet, previous implementation dates have not been met. With regards to the recommendation relating to a full review of the commercial waste service, this has been discussed in some detail at Overview and Scrutiny Committee. The original audit recommendation was significant enough to be included within the Council Plan. As such, progress on delivering the action is included within the performance tracker document which is presented at Overview and Scrutiny Committee on a quarterly basis. A report on the strategic direction of the service has been programmed into the Committee's work programme for January 2020.

4.0 OTHER OPTIONS CONSIDERED

4.1 None.

5.0 CONSULTATION

5.1 All managers are consulted prior to the commencement of the audit to agree the scope and each manager has the opportunity to comment on the draft report and complete a client survey at the end of the audit. The status of audit recommendations are reported on a regular basis to Corporate Management Team.

6.0 RELEVANT COUNCIL POLICIES/STRATEGIES

6.1 Internal Audit Charter and Internal Audit Annual Plan.

7.0 RELEVANT GOVERNMENT POLICIES

7.1 None.

8.0 RESOURCE IMPLICATIONS (Human/Property)

8.1 None.

9.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

9.1 None.

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

10.1 Internal Audit contributes to VFM through their improvement work.

11.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

11 .1 None.

Background Papers: None

Contact Officer: Head of Corporate Services
01684 272002 Graeme.simpson@teWKesbury.gov.uk

Appendices: Appendix 1 – Completed audit opinion
Appendix 2 – Audit recommendations followed-up
Appendix 3 – Status of Audit Plan 2018/19

Audit: Project Management Framework (PMF)**Introduction:**

Projects are mechanisms for changing services and the organisation. They need to be well managed to ensure that they deliver their intended benefits, to time and to budget. All projects involve risk and good practice management identifies and manages the risks involved with projects undertaken. The council has a number of projects which vary in scale and the council has adopted a project management framework in order to identify and manage these projects which are retained on the project 'SharePoint' system. The audit will review this framework and also the programme board's responsibility in delivery of the projects.

Risk identified:	Level of Control:	Overall opinion:	Recommendations:
<p>Legislative and Policy Compliance (LPC)</p> <p>LPC1: A framework for the management of key projects has not been established and therefore the council is not in control of key changes to its services and organisation.</p> <p>LPC2: The SharePoint system should not retain data for longer than required.</p>	Satisfactory	<p>LPC1: The council's project management framework was established in December 2015 and incorporates a range of documents and guidance for officers involved in leading projects. Key council projects, including the Public Services Centre refurbishment and New Leisure Centre have all been successfully delivered through this framework.</p> <p>The supporting guidance clearly defines the stages of project management that must be followed. Since its introduction in 2015, new processes and legislation have been introduced and it is therefore recommended that a review of the project management guidance be carried out to ensure this is up-to-date and aligns to council policy e.g. risk management strategy and GDPR privacy and retention guidelines [R1].</p> <p>LPC2: SharePoint is the document management system used to store all documents completed as part of the project management framework. Retention periods for these documents have been established as part of the council's corporate retention schedule which is currently being developed.</p>	<p>R1 <i>Recommendation priority:</i> Medium</p> <p><i>Implementation date:</i> September 2019</p> <p><i>Responsible Officer:</i> Corporate Services Manager</p> <p><i>Recommendation Details:</i> The project management guidance should be reviewed to ensure it is up-to-date and reflects the council's latest risk management strategy and GDPR privacy and retention guidelines. This should include the ability for Equality and Privacy Impact assessments to be captured within SharePoint.</p>

<p>Operational (O):</p> <p>O1: Officers involved in the management of projects (sponsor and deliverer) have not been appropriately trained, leading to framework procedures being omitted and the potential for projects to stall.</p> <p>O2: The SharePoint system is not maintained and information entered is not complete leading to lack of clarity concerning the delivery of the project.</p> <p>O3: SharePoint does not contain a complete record of all projects linked to the project management framework (either as live or as a horizon project) and therefore projects are not being appropriately managed through the programme board.</p>	<p>Limited</p>	<p>O1: Day to day support and guidance on the framework procedures is available from the Corporate Services Officer. Discussions during the audit established that not all officers had accessed the guidance provided; and this has led to some inconsistencies in the way framework procedures have been applied i.e. completion of horizon forms, lack of risk registers and privacy impact assessments. It would therefore be beneficial for training to be provided to all officers involved in project delivery [R2].</p> <p>O2: Assurance was obtained that the SharePoint system is being maintained. In terms of its completeness, the audit identified that risk registers had not been completed for all projects. In line with the councils risk management strategy and to demonstrate good project management practice, it is recommended that risk registers be completed for all projects on the framework [R3].</p> <p>O3: There is assurance that the vast majority of corporate projects are identified through the frameworks horizon and project initiation forms. In order to give added assurance that all projects are captured, it is recommended that an annual review of service plan objectives be carried out [R4].</p>	<p>R2: <i>Recommendation priority:</i> Medium <i>Implementation date:</i> October 2019 <i>Responsible Officer:</i> Corporate Services Manager <i>Recommendation Details:</i> Training on the project management framework, including risk management, should be provided to all officers involved in project delivery. Formal project management training should also be offered where appropriate.</p> <p>R3: <i>Recommendation priority:</i> Medium <i>Implementation date:</i> August 2019 <i>Responsible Officer:</i> Corporate Services Manager <i>Recommendation Details:</i> Risk registers should completed for all new projects on the framework. These should be reviewed on a regular basis by the board to ensure that key risks in the life of the project have been identified and mitigating controls are in place.</p> <p>R4: <i>Recommendation priority:</i> Low <i>Implementation date:</i> September 2019 <i>Responsible Officer:</i> Corporate Services Officer <i>Recommendation Details:</i> An annual review of service plans should be carried out in order to ensure all potential projects are identified and horizon forms should be completed in all cases.</p>
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<p>O4: The projects listed on SharePoint (either as live or a horizon project) do not meet the definitions of key corporate projects as stated within the project management framework guidance and therefore the board's time and resources is not being allocated appropriately.</p> <p>O5: The role of the programme board as defined within the project management framework is not being delivered, and therefore projects could overrun, be overspent or not delivered.</p>		<p>O4: The framework sets out a clear set of criteria which defines a project. There is a satisfactory level of assurance that all projects on the framework meet this criteria. It is acknowledged that there are a number of larger projects relating to growth which Programme Board have agreed will have their own governance arrangements in place.</p> <p>O5: There is assurance that the role of Programme Board is being delivered. A review of the eight-weekly meetings gave assurance that the Board provides adequate challenge. Meetings currently focus on projects that have an 'amber' or 'red' overall status and it is recommended that an additional assurance process is introduced whereby on a rolling basis, projects with a 'green' overall status are escalated to Programme Board for challenge [R5].</p>	<p>R5: <i>Recommendation priority:</i> Low</p> <p><i>Implementation date:</i> September 2019</p> <p><i>Responsible Officer:</i> Corporate Services Officer</p> <p><i>Recommendation Details:</i> On a rolling basis, projects where the overall status is 'green' should be reviewed by Programme Board to ensure all projects are regularly reviewed. Consideration should also be given for a pre-briefing with the chair of Programme Board to raise any areas of concern.</p> <p>Agreed action: Project values should be updated on the SharePoint homepage.</p>

Audit: Ubico Health and Safety Monitoring

Introduction:

This audit was completed as part of the 2018/19 Internal Audit Plan. The council has contractual requirements of UBICO to deliver its services in a way that protects the health and safety of the public and the staff. Under the Health and Safety Executive (HSE) – the government’s regulatory body whose aim is to prevent workplace death, injury or ill health – guidance for waste services notes that the contract arrangements need to include a robust framework for the client’s monitoring and review of the contractor’s health and safety practice and performance. Furthermore, the Waste Industry Safety and Health Forum (WISH) provides safety information specific to the waste industry and in this connection has provided a guidance checklist in relation to effective proactive monitoring of waste and recycling collection activities. This audit sought to provide assurance that the council’s client monitoring processes ensures that health and safety obligations both noted within the Ubico contract and implied under Health and Safety legislation were being met.

Risk identified:	Level of Control:	Overall opinion:	Recommendations:
<p>Legislative and Policy Compliance (LPC):</p> <p>LPC1: The health and safety contract obligations are not being adhered, potentially leading to the council being apportioned with liability in the case of a claim/prosecution</p>	<p>Satisfactory</p>	<p>The council’s contract with Ubico includes a number of Health and Safety obligations. Adequate monitoring arrangements are in place to ensure that these are being met. This is achieved through:</p> <ul style="list-style-type: none"> - Contract monitoring meetings- these include health & safety reports and risk register updates. - Environmental Services Partnership Board- these include service risk register updates and health and safety reports. - Monthly management reports- these include health and safety statistics. - Quarterly Management Team updates- these include an overview of health and safety performance. - Six-monthly updates to Overview & Scrutiny Committee- these include health and safety statistics. - Annual health and safety report- this is produced by the Joint Waste Team and includes a summary of incidents reported by Ubico. <p>In order to strengthen the monitoring process further, the service risk register, presented to the ESPB meetings, should include evidence of resolutions to the risks identified and target dates should be agreed in respect of their completion [R1].</p> <p>It is acknowledged that maintaining high standards for Health and Safety is a key priority for Ubico, as outlined in their 2019-20 Business Plan. A restructure within the company in 2018 saw the creation of a ‘Head of Compliance’ post to ensure risk assessments are being followed and executed appropriately. Following this, Ubico achieved the International Standards for Health & Safety (ISO45001)</p>	<p>R1 <i>Recommendation priority:</i> Low <i>Implementation date:</i> October 2019 <i>Responsible Officer:</i> Joint Waste Team Officer and Grounds Maintenance Project Officer</p> <p><i>Recommendation Details:</i> Evidence of the resolutions to risks identified within the service risk register should be requested and target dates agreed in respect of their completion.</p> <p>R2 <i>Recommendation priority:</i> Low <i>Implementation date:</i> July 2020 <i>Responsible Officer:</i> Joint Waste Team Officer and Grounds Maintenance Project Officer</p> <p><i>Recommendation Details:</i> Copies of all health and safety audit reports should be requested to obtain assurance that any recommendations have been implemented.</p>

		<p>in April 2019. Ubico are subject to regular audit review and receipt of these reports should be requested in order for the council to obtain assurance that any health and safety recommendations have been implemented [R2].</p>	
<p>Operational:</p> <p>O1: A framework for the monitoring and review of Ubico's health and safety practice and performance is not operational and therefore the council is unaware of potential safety issues which could lead to liability being apportioned to the council in the event of a claim/prosecution</p>	<p>Satisfactory</p>	<p>In addition to the contract monitoring carried out above; the Grounds Maintenance Project Officer and Joint Waste Team Officer (monitoring officers) both review Ubico operational activities on a regular basis e.g. through crew checks in conjunction with Ubico Supervisors. These officers have the ability to escalate any immediate health and safety concerns promptly to Ubico.</p> <p>Monitoring officers also have a relationship with the council's Health and Safety Officer and information concerning Ubico's health and safety performance is provided to this officer on a quarterly basis.</p> <p>Risk assessments and safe systems of work are in place for key operational activities. In order to further improve the monitoring of these risk assessments from a client perspective, a full overview of all completed risk assessments against each operational activity should be requested from Ubico, this should include review dates in order for effective monitoring to take place [R3].</p> <p>A review of the contract highlighted that evidence of regular health and safety checks on bring sites was not being received by monitoring officers. It is therefore recommended that these be instructed to take place [R4].</p>	<p>R3 <i>Recommendation priority:</i> Medium <i>Implementation date:</i> October 2019 <i>Responsible Officer:</i> Joint Waste Officer and Grounds Maintenance Project Officer</p> <p><i>Recommendation Details:</i> An overview of all completed risk assessments and safe systems of work against each operational activity should be requested from Ubico, this should include review dates in order for effective monitoring to take place.</p> <p>R4 <i>Recommendation priority:</i> Medium <i>Implementation date:</i> September 2019 <i>Responsible Officer:</i> Head of Community Services</p> <p><i>Recommendation Details:</i> In accordance with the contract, Ubico should be instructed to undertake regular health and safety checks on bring sites that are open to the public and details of these checks be provided to monitoring officers.</p>

CORPORATE IMPROVEMENT WORK

GDPR

Data protection regulations require that the council retains retention schedules which identify how long different types of documentation (e.g. contracts, licences) are kept for. A decision has been made to have a corporate retention schedule that will be linked to the privacy statements and be made available on the council's website. Internal audit corporate improvement work has been focussed on reviewing current retention schedules with service managers to ensure that they are robust and amalgamating this information into one corporate document. Targeted completion is July 2019.

Financial Procedural Rules checklist

The council's constitution including its financial procedure rules have been updated. Internal audit corporate improvement work involved the establishment of two checklists, one for Heads of Service and one for staff. The checklists provide details on the key responsibilities concerning these rules and also provide additional guidance on how to interpret these rules. Succinctly, they are sanitised version of the more detailed rules, covering the more common themes and operational activities.

Recommendations Rating

Priority:	Definition:
1 High	A fundamental weakness in the system that puts the Authority at risk. This might include non-compliance with legislation or council policy, or may result in major risk of loss or damage to council assets, information or reputation. Requires action as a matter of urgency; to be addressed within a 3-6 month timeframe wherever possible or within an extended time frame as agreed with Internal Audit if the recommendation requires extensive resources or time.
2 Medium	Observations refer mainly to issues that have an important effect on the system of internal control but do not require immediate action. Legislation or policy are unlikely to be breached as a consequence of these issues, although could cause limited loss of assets, information or adverse publicity or embarrassment. Internal audit suggest improvement to system design to minimise risk and/or improve efficiency of service. To be resolved within a 6-9 month timescale.
3 Low	Observations refer to issues that would if corrected, improve internal control in general and ensure good practice, but are not vital to the overall system of internal control. A desirable improvement to the system, to be introduced within a 9-12 month period.

Level of control

Level of control:	Definition:	Guidance:
Good	Significant assurance- There is a sound system of control, and the controls are being consistently applied. Limited scope for improving existing arrangements. Significant action unlikely to be required.	No audit recommendations or no more than 3 low priority (3) recommendations.
Satisfactory	Reasonable assurance- There is a sound system of control, and the controls are generally being consistently applied. However, there are some minor weaknesses in control, and/or evidence of non-compliance.	No more than 2 medium priority (2) recommendations, possibly with some low (3) recommendations.
Limited	Limited assurance- Lapses in the framework of control in a number of areas, and/or evidence of significant non-compliance.	Between 1 and 3 high priority (1) and possibly several other priority recommendations OR 3 or more medium (2) recommendations.
Unsatisfactory	Inadequate assurance- The system of control is weak, and/or there is evidence of significant non-compliance, which exposes the council to the risk of significant error or unauthorised activity.	4 or more Priority 1s OR 6 or more medium priority (2) recommendations.

Audit Recommendations - Quarter 1 2019/20 Follow-Up

KEY		Priority:	
	Recommendation reviewed and found not to be implemented	H (high)	A fundamental weakness in the system that puts the Authority at risk. This might include non-compliance with legislation or council policy, or may result in major risk of loss or damage to council assets, information or reputation. Requires action as a matter of urgency; ideally to be addressed within a 3-6 month timeframe wherever possible or within an extended time frame as agreed with Internal Audit if the recommendation requires extensive resources or time.
	Recommendation reviewed and found to be partially implemented	M (medium)	Observations refer mainly to issues that have an important effect on the system of internal control but do not require immediate action. Legislation or policy are unlikely to be breached as a consequence of these issues, although could cause limited loss of assets, information or adverse publicity or embarrassment. Internal audit suggest improvement to system design to minimise risk and/or improve efficiency of service. To ideally be resolved within a 6-9 month timescale.
	Recommendation reviewed and found to be implemented	L (Low)	Observations refer to issues that would if corrected, improve internal control in general and ensure good practice, but are not vital to the overall system of internal control. A desirable improvement to the system, to be introduced within a 9-12 month period.

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Audit	Recommendation Details	Priority	Responsible Officer	Expected implementation date for recommendation	Date audit followed up	Current recommendation status	Further Audit Comments	Target follow up date
Commercial Waste 2015-16	Commercial waste debt should be regularly reviewed and appropriate recovery action taken.	H	Head of Community Services	Mar-17 Mar-19 Oct-19	Apr-19		Resources from the finance team have been used to increase debt recovery and as of 1 April all customers were moved to one annual renewal date. At the time of the follow up 400 invoices had been raised. 43 of which were in the red or yellow recovery stages (a total outstanding debt of £14,701.43). A sample of these accounts with outstanding debt found that 8 out of 9 were still receiving the service. This was discussed at Corporate Management Team on 15 July 2019. The Chief Executive has requested a meeting of key officers to resolve the issues moving forward.	19-20 Q3

Audit	Recommendation Details	Priority	Responsible Officer	Expected implementation date for recommendation	Date audit followed up	Current recommendation status	Further Audit Comments	Target follow up date
Commercial Waste 2015-16	Undertake a review of the discretionary commercial waste service to ensure it is operating on a viable commercial level.	H	Head of Community Services	Mar-17 Mar-19 Jan-20	Apr-19		A review of the trade waste service is currently underway. A report is scheduled to be presented to O&S Committee in January 2020 on the long-term sustainability of a trade waste service going forward.	19-20 Q4
Tree Inspections 2016-17	A review of unadopted land should be completed to determine ownership and ongoing maintenance responsibility.	M	Asset Manager	Mar-17 Mar-18 Mar-19	Jun-19		All unadopted land has now been reviewed and ownership established. The council's mapping system has been updated accordingly.	n/a
Business Rates 2018-19 169	A regular spot check of the Area Revenue Officer business rate activities within Northgate should be carried out and recorded.	L	Revenues Team Leader	Feb-19	May-19		A spot check process has been established and evidence of these checks are recorded on a spreadsheet. It has been agreed that two spot checks per month will be undertaken.	n/a
Business Rates 2018-19	A review of the transitional certificates should be completed and the accounts on Northgate updated as appropriate. Transitional certificates received from the VOA in future should be applied to accounts at the time the alteration to the Rating List is processed.	M	Area Revenues Officer	Feb-19	May-19		A review of accounts confirmed that transitional values are now being recorded within Northgate.	n/a
Disabled Facility Grants 2018-19	The Head of Community Services should obtain evidence of the completion of the Severn Vale Housing works.	H	Head of Community Services	Dec-18 Mar-19	Apr-19		Site visits were carried out by the Internal Audit team and confirmation obtained that works had been undertaken as agreed.	n/a
Financials e-ordering 2018-19	To allow for effective budget monitoring; once a DFG has been approved a record of commitment should be made.	M	Environmental Health Manager	Mar-19	Jun-19		Monthly reports are produced to monitor DFG expenditure and these now include details of all grant amounts committed to date. Reports are reviewed by the Environmental Health Manager.	n/a

Audit	Recommendation Details	Priority	Responsible Officer	Expected implementation date for recommendation	Date audit followed up	Current recommendation status	Further Audit Comments	Target follow up date
170 General Data Protection Regulation (data retention) 2018-19	Data retention schedules should be quality assured and reviewed in line with best practice: 1) Their format should be standardised to ensure continuity and these be amalgamated into one, corporate document 2) All schedules should be quality assured to ensure completeness and be inclusive of all functions within services 3) Schedules should demonstrate authorisation from an appropriate officer i.e. Information Asset Owner, and be subject to periodic review to ensure their ongoing relevance	M	Business Administration Manager	Mar-19 Sep-19	Jun-19		A corporate data retention schedule has been produced through Internal Audit's corporate improvement days. This is currently at draft stage and is due to be presented to the GDPR Information Group in August for sign-off.	19-20 Q2
HR Leave Review (corporate improvement) 2018-19	Annual leave sheets should be held centrally and data on the sheets should be: 1) Entered manually 2) Show actual signature of the authorising officer 3) Show annual leave, compassionate leave, flexi leave In addition, the electronic time sheets should be checked on a monthly basis to ensure full compliance with the key elements of the flexi-time scheme and include a verification of the leave noted on the actual leave record.	M	HR Manager	Jan-19	May-19		A review of leave sheets confirmed that these are now held centrally, requests are manually entered and entries are appropriately authorised. Furthermore, the HR Manager was able to demonstrate a monthly check of flexi sheets.	n/a

Audit	Recommendation Details	Priority	Responsible Officer	Expected implementation date for recommendation	Date audit followed up	Current recommendation status	Further Audit Comments	Target follow up date
New Income System 2018-19	<p>A review of the retention of card details held by Adelante against the General Data Protection Regulations should give consideration to the following:</p> <ol style="list-style-type: none"> 1) Identification of data controller responsibilities/ decision making and the inclusion of retention of card data within the Financial Services retention schedule 2) The cash management privacy statement should be updated 	M	Corporate Accountant	Mar-19	May-19		Data controller responsibilities have been established and the retention of card data is included within the draft corporate data retention schedule. The cash management privacy statement has also been updated to reflect the retention of this data.	n/a

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit and Governance Committee
Date of Meeting:	24 July 2019
Subject:	Internal Audit Annual Report 2018/19
Report of:	Chief Audit Executive (Head of Corporate Services)
Corporate Lead:	Chief Executive
Lead Member:	Lead Member for Corporate Governance
Number of Appendices:	None

Executive Summary:

The Chief Audit Executive must deliver an annual internal audit opinion and report that can be used to inform the Annual Governance Statement. The opinion must conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. This report provides Members with a summary of internal audit work undertaken during 2018/19 to support that opinion.

Recommendation:

To CONSIDER the Internal Audit annual opinion and the assurance from the work undertaken during the year that, overall, the Council's governance, risk management and control environment is generally effective.

Reasons for Recommendation:

The Public Sector Internal Audit Standards (PSIAS) require that the Chief Audit Executive (CAE) reports functionally to the board. For the purposes of the Council, the CAE is defined as the Head of Corporate Services and the board is the Audit and Governance Committee. These roles are defined in the Internal Audit Charter. The charter has been approved by Audit Committee.

One example of functional reporting is the internal audit annual report. PSIAS also requires that the CAE delivers an annual audit opinion and report that can be used to inform the Annual Governance Statement.

Resource Implications:

None.

Legal Implications:

None.

Risk Management Implications:

If the CAE does not report functionally to the board then this does not comply with PSIAS.

If the Council does not have in place a framework of sound governance, risk management and control then there is a risk it will not achieve its objectives.

Performance Management Follow-up:

All recommendations made from individual audits are followed-up during the year to ascertain if they have been implemented or not. Any audit where a limited or unsatisfactory opinion has been concluded requires the relevant manager to report back to the Committee to give assurance that issues identified have been resolved.

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

- 1.1** Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 1.2** The Public Sector Internal Audit Standards (PSIAS) requires that the Chief Audit Executive (CAE) delivers an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. For Tewkesbury Borough Council, the CAE is defined as the Head of Corporate Services.
- 1.3** Internal audit work is informed by a six monthly Internal Audit Plan. Each plan is approved by Audit and Governance Committee. These were approved on 28 March 2018 (April-September 2018) and 19 September 2018 (October 2018 – March 2019) respectively. For each individual audit assignment, an opinion is given on various elements of the control environment and these opinions are reported to Committee.
- 1.4** From the work undertaken in the year, an overall opinion should be concluded on the adequacy and effectiveness of the Council's framework of governance, risk management and control. It should be noted that internal audit is only part of the Council's assurance framework, therefore, the annual audit opinion is only reflective and restricted to the areas audited during the year.

2.0 SUMMARY OF 2018/19 AUDIT WORK

2.1 The audit plan is pulled together using a risk-based approach and informed by the following activities:

- Governance related work
- Work on fundamental financial systems
- Work of a service-based nature
- Corporate improvement work
- Follow-up work
- Consultancy and advice

This approach results in a comprehensive range of audits that are undertaken during the course of the year to support the overall opinion on the control environment.

2.2 In compliance with PSIAS, monitoring reports of internal audit activity are presented at Audit and Governance Committee. Audit work undertaken in the year on governance, key financial systems and service related audits consisted of the following:

<ul style="list-style-type: none"> • Garden Waste • Council Tax • Disabled Facility Grants • General Data Protection Regulation (data retention) • Housing Benefits – Discretionary Housing Payments • Financials e-ordering • Income management system • Business rates 	<ul style="list-style-type: none"> • Ubico client monitoring • Serious and Organised Crime Framework • Community Infrastructure Levy • General Data Protection Regulation (privacy notices) • Project Management • Ubico Health and Safety • Fleet management
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There is one audit outstanding which will be completed in the first half year of 2019/20. This audit is in relation to ICT Disaster Recovery.

2.3 In addition to the above, the Internal Audit Team also undertook a variety of corporate improvement work initiatives. The Audit Plan has an allocation of days for this type of work and these days are regularly used by Corporate Management Team to assist in various improvement activities. The following aspects of work were undertaken during the year:

- General Data Protection Regulation
- Business Continuity
- Financial Procedure Rules
- Pool car project
- Human Resources – annual leave
- Internal Audit Quality Assurance and Improvement Programme (QAIP)
- Trade Waste debt recovery
- Homelessness

- 2.4** A key area of assurance work, and one that is of particular importance to management and Members, is the follow-up of internal audit recommendations. Days are allocated within the plan for this work and the status of recommendations followed-up during each quarter are reported to Committee. All recommendations that were due to be followed-up during the year were followed-up and reported upon.
- 2.5** The team was also represented on key corporate groups such as Corporate Governance Group, Keep Healthy, Stay Safe Group, Project Programme Board, Information Board, CIL Officer Working Group and the pool car project. This provides the team with the opportunity to provide advice on key governance frameworks, individual projects and keep abreast of emerging issues. The team is also contacted on a regular basis to provide ad-hoc advice on a range of activities, for example, compliance with the Council's contract procedure and financial procedure rules, general policy issues and proposed changes to systems and processes.

3.0 TEAM STRUCTURE AND INDEPENDENCE

- 3.1** Management of the Internal Audit Team is overseen by the Chief Audit Executive (Head of Corporate Services). Delivery of the Audit Plan is carried out by two full time employees. The team comprises two part time employees (2 x 18.5 hrs) and one full time employee. One employee undertakes a Senior Auditor role. During the course of the year, the team supported a member of the Finance team to undertake an audit assignment as part of their continuing professional development. This resource is deemed appropriate, sufficient and is effectively deployed to achieve the plan. Appropriate refers to the mix of knowledge, skills and other competencies need to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan.
- 3.2** As defined in the Internal Audit Charter, the team has remained organisationally independent during 2018/19. Internal audit sits independently within the Council and the Head of Corporate Services reports direct to the Chief Executive so has free and unfettered access. If the need was to arise, it is also stipulated within the charter that the Head of Corporate Services will also have access to the Chair of the Audit and Governance Committee. To build a more formal relationship, quarterly briefings were held with the Chair and Vice-Chair. An invitation to this meeting is also extended to the Lead Member for Corporate Governance. During the year a 'meet the internal audit team' session was held for Committee members so they can better understand the role of internal audit.
- 3.3** With regard to the independence of the Head of Corporate Services, it is not uncommon within a small district council for the internal audit strategic lead to also have operational responsibility for service areas. The Head of Corporate Services has a wide managerial remit including ICT, Customer Services, Human Resources and Policy and Communications. In cases where an audit was undertaken in any of these areas, the Head of Corporate Sources can give assurance that all audit opinions are exercised objectively and with integrity so that the opinions issued are open, transparent and accurate. In response to a recommendation made from the peer review, additional safeguards have been put in place to safeguard the independence of the Head of Corporate Services.

4.0 QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP)

4.1 Implementation of recommendations arising from the independent external peer review have been the focus for improvement during the course of 2018/19. An initial QAIP was first presented to Committee in September 2017. This was subsumed by the external review of the internal audit activity which was undertaken during November 2017. The review was in compliance with PSIAS which requires such a review to be undertaken at least every five years.

4.2 The final report on the external review was presented at Audit Committee in March 2018. It was pleasing to report that the review concluded there were no areas of non-compliance that would affect the overall scope or operation of the internal audit activity. As would be expected a number of recommendations were made and accepted and the majority of these were delivered during the year and reported to Committee as such. These included:

- Review and update of the Internal Audit Charter.
- Approval of a flexible and more fluid Internal Audit Plan.
- Revision of key audit documentation including a more risk-based approach.
- Safeguard the independence of the CAE.
- Review and update of the Council's risk management arrangements.

5.0 RISK MANAGEMENT

5.1 A review of the Council's risk management arrangements was undertaken during the year. This led to the approval of a new Risk Management Strategy and the implementation of a new Corporate Risk Register. The register is presented at each Committee meeting and should give Members and management assurance that the key risks facing the Council are being effectively managed. This is a positive outcome in terms of internal audit. It provides the opportunity for a more strategic focus and days have been allocated within the team's 2019/20 work programme to start reviewing the integrity of the register. This will include the testing of mitigating controls to ensure they are actually in place and working and that actions to reduce the risk further are progressing.

6.0 OPINION ON THE OVERALL ADEQUACY OF THE CONTROL ENVIRONMENT

6.1 The opinion is based upon and limited to the activities audited during the year. The opinion does not imply that internal audit has reviewed the whole control environment of the Council during the year. As well as the internal audit opinion, the Council relies upon other aspects of its assurance framework to help inform the completeness of the Annual Governance Statement. For example, the performance management framework, risk management framework, standards and codes of conduct and external audit reports help inform the adequacy of the Council's overall governance arrangements.

6.2 When reporting, internal audit can provide a ‘split’ opinion. This means individual opinions can be given for different parts of a system being audited. This approach enables internal audit to identify to management, specific areas of control that are operating/not operating as intended. A summary of the number of opinions given during the year can be found in the table below:

Risk Area	Total Opinions	‘Good’	‘Satisfactory’	‘Limited’	‘Unsatisfactory’
Economic and Financial	7	4	2	1	0
Legislative and Policy	12	3	6	3	0
Operational	10	2	4	4	0
Social and political	4	2	2	0	0
Technological	3	2	1	0	0
Total	36	13	15	8	0

6.3 It is not unexpected on occasions to conclude a limited or unsatisfactory level of control given the variety and complexity of systems, procedures and services operated by the Council. It is pleasing to report there were no unsatisfactory opinions given during the year. With regards to the limited opinions, succinctly these relate to:

Risk Area	Overview of issue
Garden Waste (Legislative and Policy)	<ul style="list-style-type: none"> Data retention and requirement for a data sharing agreement with Ubico – <i>followed up during the year and now implemented.</i>
Garden Waste (Operational)	<ul style="list-style-type: none"> Stock control of sticker licences – <i>resolved during the course of the audit.</i> Emptying of non-stickered bins – <i>to be followed up during 19/20.</i>
Fleet Management (Operational)	<ul style="list-style-type: none"> Requirement to produce an annual service report of fleet related issues. – <i>to be followed up during 19/20.</i> Improvement to stock control. – <i>to be followed up during 19/20.</i> Cleanliness of vehicles. – <i>implemented during course of the audit.</i> Vehicle usage between partner councils. – <i>to be followed up during 19/20.</i>

Risk Area	Overview of issue
Ubico client monitoring (economic and financial)	<ul style="list-style-type: none"> Financial governance to mitigate future overspend. – <i>action plan developed and circulated to Executive Committee. Included as a significant governance issue within the 2018/19 Annual Governance Statement.</i>
Community Infrastructure Levy (legislative and policy)	<ul style="list-style-type: none"> Governance arrangements need to be established. – <i>CIL working group established. Included as a significant governance issue within the 2018/19 Annual Governance Statement.</i>
Community Infrastructure Levy (operational)	<ul style="list-style-type: none"> Internal procedures need to be established for monitoring and reconciliation purposes. – <i>see above.</i>
GDPR (legislative and policy)	<ul style="list-style-type: none"> Ensuring all functions are supported with a privacy notice. – <i>to be followed up during 19/20</i>
Project Management (Operational)	<ul style="list-style-type: none"> Ensuring all projects are supported with appropriate documentation. – <i>to be followed up during 19/20.</i>

6.4 With regards to the number of recommendations made during the year, a total of 55 recommendations were made and categorised as follows:

High = 6

Medium = 31

Low = 18

The small number of high recommendations is positive. All recommendations are followed up by internal audit when their implementation date is due and the status of the recommendation is reported at Committee.

6.5 In terms of follow-up, all recommendations that were due to be followed-up were followed-up during the year. During the course of the year, the team followed up 80 recommendations and the status of these were reported to each Committee meeting as and when they were followed-up. In summary, of the 80, 44 were implemented, 15 partially implemented and 21 not yet implemented. New implementation dates have been agreed for all outstanding recommendations and these will be followed-up in accordance with those dates. During the course of the year, the Committee has requested responsible officers to attend where an agreed date has slipped more than once.

7.0 FRAUD/THEFT/CORRUPTION/WHISTLEBLOWING

7.1 During the course of 2018/19, the Internal Audit Team and the Counter Fraud Unit have met on a regular basis and developed an excellent working relationship. The work of the Counter Fraud Unit is reported to Committee on a six monthly basis. The Counter Fraud Unit has an approved work programme for 2019/20, including the review of the policy framework that underpins the Council's fraud arrangements. An excellent piece of work was undertaken during the year to present to Committee a paper on the Council's compliance with the serious and organised Crime framework.

8.0 SUMMARY OF AUDIT PERFORMANCE

8.1 Within the Internal Audit Quality Assurance and Improvement Programme there are three management indicators:

IA1 – Completion of Plan (number of audits completed as a % of planned audits)

93.75% - 15/16 audits completed.

IA2 – Days taken (% of audits completed within the allocated number of days)

80% - 12/15 audits completed within time. Three audits overran between 3-5 days.

IA 3 – Client satisfaction

At the end of each audit, a survey is sent to each client to score across a range of questions. Each question is scored 1 (poor) to 4 (good). The overall average score was 3.71. 8 survey forms were received.

9.0 CONCLUSION

9.1 The work of internal audit complies with the Public Sector Internal Audit Standards (PSIAS), therefore, assurance can be given to all relevant parties that the work of internal audit can be relied upon. In terms of the overall internal audit opinion for the year, given the complexities of the Council's internal control environment there will always be areas identified by internal audit that require improvement. The internal audit opinions issued during the year demonstrate that overall, the Council's governance, risk management and control environment is generally sound. Where areas of concern have been identified there has been a positive management response. All recommendations are subject to follow-up by internal audit and reported to Audit and Governance Committee at the appropriate time. This opinion will inform the Council's Annual Governance Statement.

10.0 OTHER OPTIONS CONSIDERED

10.1 None.

11.0 CONSULTATION

11.1 One of the Key Performance Indicators relates to the use of client survey.

12.0 RELEVANT COUNCIL POLICIES/STRATEGIES

12.1 Internal Audit Charter and Internal Audit Annual Plan.

13.0 RELEVANT GOVERNMENT POLICIES

13.1 None.

14.0 RESOURCE IMPLICATIONS (Human/Property)

14.1 None.

15.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

15.1 None.

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

16.1 The work of internal audit supports value for money.

17.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

17.1 None.

Background Papers: None

Contact Officer: Head of Corporate Services
01684 272002 Graeme.simpson@tewkesbury.gov.uk

Appendices: None

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit and Governance Committee
Date of Meeting:	24 July 2019
Subject:	Annual Governance Statement 2018/19
Report of:	Corporate Governance Group
Corporate Lead:	Borough Solicitor
Lead Member:	Lead Member – Corporate Governance
Number of Appendices:	One

<p>Executive Summary:</p> <p>Every Council must ensure that its business is conducted within the law and proper standards, public money is safeguarded and used economically, efficiently and effectively. Governance of the Council is reviewed regularly by the Corporate Governance Group and is formally assessed through an Annual Governance Statement by that Group. The Annual Governance Statement (AGS) is produced in accordance with CIPFA/SOLACE guidance ('Delivering Good Governance in Local Government: Framework 2016')</p>
<p>Recommendation:</p> <p>To APPROVE the Annual Governance Statement 2018/19.</p>
<p>Reasons for Recommendation:</p> <p>Regulation 6 (1) (a) of the Accounts and Audit Regulations 2015 require an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts (England). Regulation 6 (1) (b) of the Accounts and Audit Regulations 2015 require that for a local authority, the statement is an Annual Governance Statement.</p>

<p>Resource Implications:</p> <p>None arising directly from the report.</p>
<p>Legal Implications:</p> <p>Contained in report.</p>
<p>Risk Management Implications:</p> <p>If the Council does not produce an Annual Governance Statement then it is not compliant with legislation.</p>

Performance Management Follow-up:

Significant governance issues will be subject to review throughout the year by the Corporate Governance Group and by the Audit Committee.

Implications for Biodiversity:

None

1.0 INTRODUCTION/BACKGROUND

- 1.1** Every Council has to ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 1.2** In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk. Regulation 6 (1) (a) of the Accounts and Audit Regulations 2015 require an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with nay published Statement of Accounts (England). Regulation 6 (1) (b) of the Accounts and Audit Regulations 2015 require that for a local authority, the statement is an Annual Governance Statement.
- 1.3** The Annual Governance Statement should normally be approved at the same time as, and certainly no later than, the Statement of Accounts. The Annual Governance Statement has been developed in accordance with 'Delivering Good Governance in Local Government: Framework (2016)
- 1.4** The Good Governance Framework is based on seven principles of corporate governance which are set out below and which are underpinned by supporting principles and requirements.
- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
 - Ensuring openness and comprehensive stakeholder engagement
 - Defining outcomes in terms of sustainable economic, social and environmental benefits.
 - Determining the interventions necessary to optimise the achievement of the intended outcomes.
 - Developing the entity's capacity, including the capability of its leadership and the individuals within it.
 - Managing the risks and performance through robust internal control and strong public financial management.
 - Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

2.0 REVIEWING THE GOVERNANCE ARRANGEMENTS

2.1 The review is undertaken by the Corporate Governance Group and is based on the sources of assurance that are demonstrated in the diagram (Page No. 8 of the Annual Governance Statement). The diagram succinctly demonstrates the wide coverage of the Council's governance framework. The significant areas for improvement are reflected in the Annual Governance Statement and the proposed action and timescale for these to be addressed has also been developed.

2.2 The documents, procedures and processes which have informed the Annual Governance Statement are summarised in diagrammatic within the statement itself. The statement will be subject to review by the Council's external auditors to give assurance that it has been produced in compliance with guidance and is a fair reflection of the council's governance arrangements.

3.0 TEWKESBURY BOROUGH COUNCIL'S ANNUAL GOVERNANCE STATEMENT 2018/19

3.1 The draft Annual Governance Statement for 2018/19 is attached at Appendix 1 and identifies four areas of governance that require improvement. These are detailed within the table on the last page of the statement. Progress in implementing the actions stated within the table will be reported to each Audit and Governance Committee meeting.

4.0 OTHER OPTIONS CONSIDERED

4.1 None.

5.0 CONSULTATION

5.1 Corporate Governance Group and the Corporate Management Team.

6.0 RELEVANT COUNCIL POLICIES/STRATEGIES

6.1 Tewkesbury Borough Council's Local Code of Corporate Governance.

7.0 RELEVANT GOVERNMENT POLICIES

7.1 None.

8.0 RESOURCE IMPLICATIONS (Human/Property)

8.1 None arising directly from this report.

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 None.

11.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

11.1 None.

Background Papers: Delivering Good Governance in Local Government CIPFA / SOLACE
2016

Tewkesbury Borough Council's Local Code of Corporate Governance

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Appendices: Appendix 1 – Draft Annual Governance Statement 2018/19

2018-2019 Annual governance **statement**

Draft



better for customers and better for business

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“Governance structures and partnerships should be **tested against the principles** contained in the framework”

Scope of responsibility

Tewkesbury Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this overall responsibility, the council is responsible for putting in place proper arrangements of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Regulation 6(1) (a) of the Accounts and Audit Regulations 2015 require an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts (England). Regulation 6 (1) (b) of the Accounts and Audit Regulations 2015 require that for a local authority, the statement is an Annual Governance Statement.

The preparation and publication of an Annual Governance Statement in accordance with Delivering Good Governance in Local Government: Framework 2016 fulfils the statutory requirements for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its Statement of Accounts.

In England, the Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be ‘prepared in accordance with proper practices in relation to accounts’.

Therefore, a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government: Framework (2016).

The purpose of the governance framework

The governance framework defines the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. The framework defines the principles that underpin good governance, providing a structure to help individual authorities with their approach to governance.

Governance structures and partnerships should be tested against the principles contained in the framework by:

- Reviewing existing governance arrangements
- Developing and maintaining an up to date local code of governance, including arrangements for ensuring ongoing effectiveness
- Reporting annually on compliance with the local code and how the effectiveness of governance arrangements have been monitored.

The governance framework

Delivering Good Governance in Local Government 2016 identifies the following core principles (which are supported with a raft of sub principles): -

- Behaving with integrity, demonstrating strong

commitment to ethical values, and respecting the rule of law.

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

Examples of key elements of the structures and processes that comprise a council’s governance arrangements include :-

- Codes of conduct that define standards of behaviour for members and staff and policies such as whistleblowing and anti-fraud and corruption and these codes are communicated effectively.
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.
- Documenting a commitment to openness and acting in the public interest.
- Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.
- Translating the vision into courses of action for the authority, its partnerships and collaborations.

- Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.
- Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements.
- Management arrangements that conform with the governance arrangements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015) and the CIPFA Statement on the Role of the Head of Internal Audit (2019).
- Ensuring effective arrangements are in place for the discharge of the monitoring officer function and head of paid service function.
- Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability.
- Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained.
- Ensuring an effective scrutiny function is in place.
- Undertaking the core functions of an audit committee.
- Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.

The council’s governance framework

The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. A high level review is undertaken by the corporate governance group and is based on the sources of assurance that are demonstrated within diagram 1 – the council’s governance framework. The review of effectiveness is mainly informed by the work of senior management who have responsibility for the development and maintenance of the governance environment, internal and external audit reports plus third party assurance where relevant. The outcome of the review has concluded: -

- There is an acknowledgement of responsibility for ensuring there is a sound system of governance (incorporating the system of internal control) and broadly the framework is sound and arrangements are considered to be fit for purpose. The framework is extensive, complex and given the changing environment there will always be areas where governance can be strengthened. It would be unrealistic to expect all aspects of governance to be operating 100% effectively, 100% of the time.

A further review will be undertaken by the corporate governance group prior to submitting the AGS for final approval by the Audit and Governance Committee.

When considering the governance framework, the corporate governance group recognised improvements made during the year supported with business as usual actions. These include but

are not limited to;

- The significant corporate effort to ensure broad compliance with GDPR.
- Annual council plan refresh.
- Full review and approval of a new Council constitution (including updated Financial Procedure Rules).
- Work to increase the effectiveness of the Audit Committee (now Audit and Governance Committee).
- Audit Committee consideration of key governance frameworks i.e annual Health and Safety report and review of Safeguarding arrangements
- Improvements made to the client monitoring of the Ubico contract.
- Implementation of recommendations arising from the peer review of the internal audit function.
- Review of the council’s risk management arrangements including the introduction of a new corporate risk register.
- Development and approval of a Workforce Development Strategy.
- Adoption of a gifts and hospitality protocol for councillors.
- Approval of a new ICT policy.
- Delivery of the Counter Fraud Unit work programme.
- Approval of a new commercialisation strategy.
- Approval of a Medium Term Financial Strategy (2019/20-2023/24).

Progress on delivering significant governance issues reported within the 2017/18 AGS are summarised on page 4 and confirms the majority have now been completed.

Review and update of the constitution

The last review was undertaken in 2009. Since that time it has been updated on a piecemeal basis taking into account changes to the political and management structure of the council. A full review was subsequently undertaken during 2018/19 and an updated constitution approved by Council on 19 February 2019.

Risk management

The council’s risk management arrangements were reviewed during the year. A new risk management strategy was approved by Executive Committee on 16 January 2019 supported by the implementation of a new corporate risk register. The risk register is considered at each Audit and Governance Committee. Corporate Management Team also review the register on a monthly basis

Business continuity

A corporate business continuity plan has been finalised to support individual service plans. This plan details priority services and will be subject to desktop testing early in 2019/20.

Audit Committee effectiveness

A number of actions have taken place to increase the profile of Audit Committee. As part of the Constitution update, the committee has been renamed Audit and Governance Committee. A revised Terms of Reference supports the wider responsibilities of the committee. For the new municipal year, membership will also increase by two members (seven to nine). During the course of the year, internal audit have undertaken

training around their role, have held a ‘meet the audit team’ session and participated in a committee workshop on the outcome of the independent peer review of the internal audit function. An Audit Committee annual report and presentation was considered by Council at their meeting held on 26 September 2018.

Ubico client monitoring

This was previously reported as a governance issue following an adverse internal audit opinion. Significant improvements have been made regarding the robustness of monitoring arrangements. A new suite of Key Performance Indicators (KPI) have been developed and agreed across the Ubico partnership. Regular contract monitoring meetings, attended by appropriate Council and Ubico representatives now take place in relation to all aspects of the service. Whilst there is concern in relation to a budget overspend, the regularity and detail of financial information has improved. A data sharing agreement between the council and Ubico was also implemented during 2018/19.

General Data Protection Regulations (GDPR) 2018

A significant amount of work has been undertaken to ensure the council is broadly compliant with GDPR. All staff and members have received GDPR training, supported with an extensive internal communications campaign. A new Data Protection policy was approved by Executive Committee on 28 August 2018. Other actions completed to demonstrate compliance include fundamentals such as the development of retention schedules, data sharing agreements, privacy notices and an incident reporting protocol.

Workforce development strategy

A strategy was approved by Executive Committee on 3 April 2019. The strategy details the drivers, principles and overarching actions to enable the council's workforce to meet the challenges over the next five years.

Local code of corporate governance

To achieve good governance, the council should be able to demonstrate that its governance structures comply with the core and sub-principles contained within the 'Delivering good governance framework 2016'. To achieve this, the council's local code of governance should reflect these principles. The local code therefore needs to be updated to reflect these principles. This action remains outstanding and will be carried forward as a significant governance issue.

Review of existing governance framework

When considering emerging issues, the Corporate Governance Group gives consideration to the council's overall governance framework. An overview of the governance framework is summarised within a diagram found in appendix one. A key source of assurance, is the work of internal audit. Through their work undertaken during 2018/19, a less than satisfactory opinion i.e. a 'limited' opinion has been issued in a small number of governance related areas;

Community Infrastructure Levy (CIL)

The internal audit findings confirmed that whilst CIL was 'live', the proposed governance arrangements between the three partner councils have yet to be approved. With regards to the operational arrangements within the council, processes and procedures need to be addressed, particularly the monitoring and reconciliation of CIL income. Resulting from the audit, an internal CIL working group has been set up to take forward the audit recommendations.

Financial governance – Ubico

The quarter three financial update reported to Executive Committee on 6 February 2019 projected an overspend of £230,887 in relation to the Ubico contract. This was a significant increase from the £141,622 position which had been reported in quarter two. There were a number of reasons for the overspend with the two main ones being: employee costs – mostly in relation to using agency staff to cover an increased number of long-term sickness absences; and transport costs – the majority of which related to the maintenance of the recycling and grounds maintenance equipment and vehicles, increased fuel costs and hire charges, and an overspend on tyres and other supplies. Given the significance of the overspend and how it had escalated, improvements to the budgetary control framework are required to understand the reasons for any deficit on a more timely basis. Work is currently underway to fully understand all the issues relating to the financial management aspect of the contract and to work with Ubico to ensure there are adequate controls in place moving forward.

Serious and organised crime – policy review

Audit Committee received a report on 18 December 2018 relating to ‘Local Authority Serious and Organised Crime’ checklist. This is essentially a self-assessment to enable local authorities to assess their vulnerability against the risk of serious crime. Whilst it was concluded the council is seen as low risk, there were a handful of related policies where it would be prudent to review them and generally raise organisational awareness to them. Whilst this is not necessarily significant, the policies form part of the council’s governance framework. The relevant policies are;

- Whistleblowing
- Bullying and Harassment
- Gifts and Hospitality
- Code of Conduct
- Anti-Fraud and Corruption

Significant governance issues

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness. Progress in delivering the issues identified will be reported to both corporate management team and Audit and Governance Committee. The Lead Member for Corporate Governance will also be updated through portfolio briefings.

Governance issue	Proposed action	Timescale	Responsible officer/group
1 Community Infrastructure Levy (CIL) - governance arrangements	Deliver key internal audit recommendations; <ul style="list-style-type: none"> • Overall governance arrangements to be formalised • Operational processes to be agreed e.g. monitoring, reporting and reconciliation • Greater clarity of S123 list 	September 2019	CIL Working Group (Head of Development as lead officer)
2 Ubico – financial governance	Implement financial governance improvement plan; <ul style="list-style-type: none"> • Explanation of overspend to be provided • Final outturn figure to be reported to June Executive Committee (supported by Ubico officer representation) • Internal audit review • Review of financial controls 	September 2019	Head of Community/Head of Finance and Asset Management
3 Serious Crime Framework – key policy review	Review the following policies; <ul style="list-style-type: none"> • Whistleblowing • Bullying and Harassment • Gifts and Hospitality • Code of Conduct • Anti-Fraud and Corruption 	March 2020	Borough Solicitor/Head of Corporate Services/Counter Fraud Unit
4 Local Code of Corporate Governance	<ul style="list-style-type: none"> • Develop and approve a new code of governance 	March 2020	Head of Corporate Services

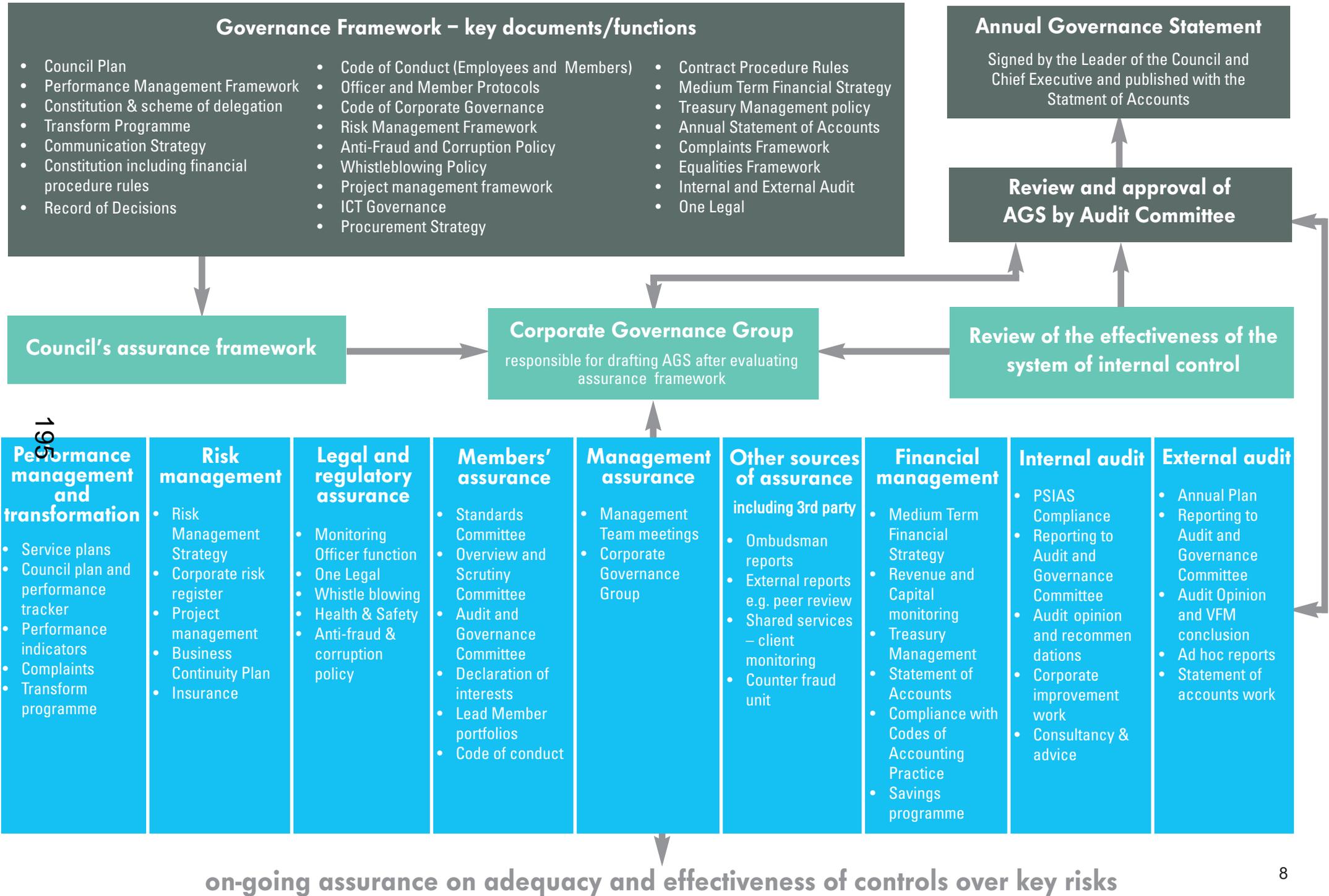
Signed on behalf of Tewkesbury Borough Council

Councillor Rob Bird
Leader of the Council

Mike Dawson
Chief Executive

Date

Date



Mike Dawson
Chief Executive
Tewkesbury Borough Council



TEWKESBURY BOROUGH COUNCIL

Report to:	Audit and Governance Committee
Date of Meeting:	24 July 2019
Subject:	Corporate Risk Register
Report of:	Head of Corporate Services
Corporate Lead:	Chief Executive
Lead Member:	Lead Member for Corporate Governance
Number of Appendices:	1

Executive Summary:

Tewkesbury Borough Council has a risk management framework and this is set out in the risk management strategy approved by Executive Committee on 16 January 2019. Risk management is an intrinsic element of good, effective management and should not be seen as a 'bolt on'. The strategy sets out the risk management approach around the identification, analysis, prioritisation and management of risk. A key element of the strategy is capturing key corporate risks through a Corporate Risk Register. This register is presented at each Audit and Governance Committee.

Recommendation:

To CONSIDER the risks contained within the Corporate Risk Register and assurance that the risks are being effectively managed.

Reasons for Recommendation:

Risk management is an integral part of the Council's overall governance framework. It is within the Terms of Reference of the Audit and Governance Committee to gain assurance that key risks are effectively managed.

Resource Implications:

None arising directly from this report.

Legal Implications:

None arising directly from this report.

Risk Management Implications:

If the Council does not have in place a Corporate Risk Register, it cannot demonstrate that corporate risks are formally considered, scored and managed.

Performance Management Follow-up:

The corporate risk register is considered at each Audit and Governance Committee and prior to this by Corporate Management Team on a monthly basis.

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

1.1 The Council's risk management strategy formalises the Council's risk management arrangements and sets out the risk management approach around the identification, analysis, prioritisation and management of risk. A key element of the strategy is the maintenance of a Corporate Risk Register that captures the Council's key corporate risks. The register is a high-level document to record in a proportionate manner the key risks facing the Council, their risk score and high-level management controls that are in place to manage individual risks. The scoring matrix within the strategy provides guidance on scoring those risks.

2.0 CORPORATE RISK REGISTER

2.1 The register is a useful tool to demonstrate in a concise manner that corporate risks are being considered and managed. The headings within the register and the scoring of risk are all detailed within the risk management strategy. Succinctly, the scoring is based around three stage:

- Gross risk score (the inherent risk without any mitigating controls in place)
- Current risk score (the assessed risk after the application of controls)
- Target risk score (proposed risk score by applying future controls, if the current risk score is deemed to be too high)

2.2 The format of the register is one which is commonly used throughout local government. There is no statutory requirement to have a register in place but it is seen as good practice. It also helps the Audit and Governance Committee fulfil its risk management responsibilities. Internal Audit will support the Audit and Governance Committee in gaining assurance that the risks are being effectively managed. Days have been allocated within the current Internal Audit Work Plan to review the register and give assurance to the Committee around such things as:

- Is the register complete? Are there any risks missing?
- The controls detailed in the register – are they actually in place and working effectively?
- Future actions – is there assurance they will be implemented within appropriate timescales?

2.3 The register in its current format was first presented at Audit and Governance Committee on 12 December 2018. The risk register template includes a 'comments' box below each risk. This provides opportunity for each risk owner to provide an update on the status of that risk. For example, if the risk score has been downgraded as a result of effective control action being implemented, or, alternatively, if the risk score has increased. An increase could happen through a number of scenarios, for example if an internal audit has concluded that a mitigating control is not effective.

2.4 The risk register is presented at Corporate Management Team on a monthly basis and further reviewed by the Corporate Governance Group. This group is chaired by the Borough Solicitor. Other attendees are the Lead Member for Corporate Governance, a representative from the Counter Fraud Unit, Head of Corporate Services and Head of Finance and Asset Management. Following recent review by the Corporate Management Team, a new risk has been added to the register. This risk in relation to the delivery of the Garden Town project is shown in bold on the risk register. The risk register can be found in Appendix 1.

3.0 KEY UPDATES ON THE REGISTER

3.1 Summarised below are key actions arising since the register was last presented at Committee:

Risk identified	Key action arising
Ref 3. (cyber security)	<ul style="list-style-type: none"> • Cabinet Office issued on 2 July 2019 the certificate to confirm Public Sector Network Compliance. • Cyber security awareness training to be programmed in for members. (joint session with fraud awareness)
Ref 4. (business continuity)	<ul style="list-style-type: none"> • Finalisation of Corporate Business Continuity Plan.
Ref 5. (GDPR)	<ul style="list-style-type: none"> • Further awareness training to be rolled out to Officers and Members. • Finalisation of a Corporate Retention Policy.
Ref 6. (emergency planning)	<ul style="list-style-type: none"> • Arrangements are currently subject to internal audit review.
Ref 7. (Javelin Park)	<ul style="list-style-type: none"> • Tewkesbury Borough Council collections to be delivered w/c 8 July 2019. As Javelin Park is now operational, this risk will be removed from the register.
Ref 8. (waste partnership)	<ul style="list-style-type: none"> • Report to Overview and Scrutiny Committee on 23 July 2019 proposing the formation of a Depot Services Working Group.
Ref 9. (Swindon Road depot)	<ul style="list-style-type: none"> • Initial discussions have taken place regarding the re-location of the depot.
Ref 13. (Growth Hub)	<ul style="list-style-type: none"> • Growth Hub Navigator now a permanent role.
Ref 14. (Fraud and Corruption)	<ul style="list-style-type: none"> • Fraud awareness training to be held for Members (joint session with cyber security).

4.0 OTHER OPTIONS CONSIDERED

4.1 None.

5.0 CONSULTATION

5.1 None.

6.0 RELEVANT COUNCIL POLICIES/STRATEGIES

6.1 Risk Management Strategy.

7.0 RELEVANT GOVERNMENT POLICIES

7.1 None.

8.0 RESOURCE IMPLICATIONS (Human/Property)

8.1 None.

9.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

9.1 None.

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

10.1 Mitigation of risk will help the Council achieve its objectives.

11.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

11.1 None.

Background Papers: None

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Appendices: Appendix 1 – Corporate Risk Register

Appendix 1 - Tewkesbury Borough Council: Corporate Risk Register

Code	Risk score	Risk Management view
Red	16 – 25	Must be managed down to reduce risk scores in the next year
Amber	5 – 15	Seek to improve the risk score in the medium term
Green	1-4	Tolerate and monitor

Risk ref	Corporate risk identified	Impact assessment / comment	Impact Score (1-5)	Likelihood Score (1-5)	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk mgt action points	Target risk score
201-1	The uncertainty and volatility of council funding streams, including Business Rates Retention and New Homes Bonus, means that long term business planning is difficult and subject to significant change	<p>The Council received £3.2m from NHB and £2.3m from retained business rates in 2017-18. NHB is subject to annual review and amendments by Central Government including a review of the deadweight reduction Business rates is a volatile income stream as a result of successful appeals. In addition, a move to a 75% retention scheme is planned but a detailed scheme is not in place. Uncertainty exists over a number of issues including:</p> <ul style="list-style-type: none"> • How appeals are dealt with • How retained funding is split in two tier areas • How and when the system is reset to ensure and equitable distribution 	5	4	20	<p>Growth of tax base is substantial and protects council from significant NHB losses.</p> <p>Council does not use 100% of NHB to support base budget.</p> <p>Accumulated provisions within existing retained rates scheme</p> <p>Involvement and understanding of emerging 75% retention scheme</p> <p>Development of other funding streams such as Council Tax and Commercial properties</p>	Head of Finance & Asset Management	15	<p>Further development of alternative income streams to reduce dependence on these funding streams</p> <p>Clarification of intended 75% rates retention scheme</p> <p>Early confirmation from Government of intentions with regards to NHB scheme</p>	6

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Risk ref	Corporate risk identified	Impact assessment / comment	Impact Score (1-5)	Likelihood Score (1-5)	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk mgt action points	Target risk score	
Comments: No update from government in terms of spending review, fair funding review, 75% business rates retention or the future of new homes bonus. Working groups are taking place but no clarity as to outcome or impact. Now looking unlikely that a 3 year spending review will be concluded this year with the impact being that significant changes will be pushed back for a year with an interim position being imposed.											
202	2	Failure to see the delivery of residential and business growth within the Borough will have a significant impact within the MTFS planning	Growth within the Borough will attract significant additional funding streams by means of Council Tax, NHB and retained business rates. Given the reductions in core government grant and the increasing cost of delivering services, the income from growth is imperative to ensure a balanced MTFS and the ongoing delivery of services within the Borough	5	4	20	Growth strategy set out in Joint Core Strategy Efficient management of DM process Programmes for the delivery of significant infrastructure Strong relationships with key agencies such as Homes England and GFirst LEP Economic Development Strategy Establishment of Growth Hub	Corporate Management Team	15	Approval of Borough Plan Development and delivery of rail strategy J9 masterplan Business case developments for J10 Airport development strategy Identification of opportunities to use business rate reliefs to support and attract business Implementation of DM improvement action plan Agreement for governance of CIL funding to maximise infrastructure delivery	10

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Risk ref	Corporate risk identified	Impact assessment / comment	Impact Score (1-5)	Likelihood Score (1-5)	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk mgt action points	Target risk score
Comments: Growth in the Borough remains strong and above national growth levels. The benefit of this in terms of business rates and new homes bonus remains to be seen as per the issues identified in risk 1.										
3	If the ICT network is not adequately protected then there is a potential risk that it could be subject to a cyber-security attack leading to loss of systems and significant downtime.	<p>Phishing attacks/Spear phishing – untargeted mass emails sent to many recipients to acquire sensitive information/targeted emails designed to look like its been sent from a trusted person.</p> <p>Denial of service (DoS) – hacker floods a website with more traffic than it can handle. Legitimate users are denied access to services, downtime of systems.</p> <p>Malware – forms of harmful software executed when it is mistakenly downloaded.</p> <p>Weak credentials – accounts can be compromised if not secure. Reusing credentials on multiple systems makes it easier for a hacker to move around the network.</p> <p>All or combination can lead to;</p>	5	5	25	<p>Patch management</p> <p>Penetration testing</p> <p>Internal phishing awareness exercises</p> <p>PSN compliance</p> <p>Firewall management</p>	Head of Corporate Services	12	<p>Review potential of cyber insurance</p> <p>Review cyber security arrangements based upon Local Government Association best practice survey</p> <p>Deployment of new firewall.</p>	9

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Risk ref	Corporate risk identified	Impact assessment / comment	Impact Score (1-5)	Likelihood Score (1-5)	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk mgt action points	Target risk score
204		<ul style="list-style-type: none"> Loss of reputation and trust Financial loss – disruption to service delivery, cost of restoring systems Legal implications – personal data breach could lead to a significant fine 								

Comments:

A review of the council's cyber security arrangements is currently taking place with a full report to Audit and Governance Committee to follow. A grant of £17.5k has been successfully obtained from the LGA which will support further training and awareness for staff and members, technical training for ICT staff and additional consultancy and advice on cyber security risk. In response to the LGA survey, governance arrangements for cyber security are being developed and will be detailed in a cyber security protocol. This includes quarterly, intelligence led updates to corporate management team (acting as the cyber security board). We have also signed up to the Warning, Advice and Reporting (WARP) south west network. With regards to Public Sector Network compliance, this was achieved on 2 July 2019. This is a robust network security assessment, undertaken annually and is signed off by Cabinet Office. Work will commence soon on the procurement of a new firewall.

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Risk ref	Corporate risk identified	Impact assessment / comment	Impact Score (1-5)	Likelihood Score (1-5)	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk mgt action points	Target risk score
4	If business continuity planning is not in place then there is a risk the council would struggle to deliver its services in the event of an incident	<p>Does the council understand the major threats and risk to the business operations?</p> <p>Is a business continuity plan in place?</p> <p>Is the plan tested for various scenarios?</p> <p>Have priority systems been identified?</p> <p>A BC incident could be any of the following;</p> <ul style="list-style-type: none"> • ICT downtime • Major staff absence • Property access • Supply chain failure 	4	4	16	Individual service continuity plans Draft corporate plan ICT disaster recovery	Head of Corporate Services	12	Finalise and test draft plan. Alternative premises solution	9

205

Comments:

The corporate business continuity plan has been finalised and in the first instance will now be subject to a desk top test exercise. This will be facilitated by the Civil Protection Team and will be programmed for September 2019. Additional testing will then take place with services, putting their individual service plans to the test. Internal Audit will audit the ICT disaster recovery arrangements during 2019/20.

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Risk ref	Corporate risk identified	Impact assessment / comment	Impact Score (1-5)	Likelihood Score (1-5)	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk mgt action points	Target risk score
5	If the council is not compliant with General Data Protection Requirement then there is a risk of financial penalties and adverse publicity.	GDPR came into force in May 2018. Essentially it makes organisations more accountable for data. E.g. what personal data is held, where it came from and who it is shared with plus a greater focus on consent. Fines rising from £500,000 to 20 million euro in the event of non-compliance.	4	4	16	Data Protection Policy Governance structure in place eg Information Board, Data Protection Officer appointed, designated Senior Information Risk Owner, Business Administration Officer Breach reporting framework Staff awareness training	Head of Corporate Services	12	Rollout of e-learning module Implementation of related audit recommendations Implementation of GDPR action plan	9

Comments:

To ensure all staff and members remain focussed on GDPR, and e-learning module is due to be rolled out. This will enhance awareness training already undertaken during 2018/19 that was mandatory. An Information Board meets monthly chaired by the Senior Information Risk Officer (SIRO) to oversee GDPR compliance. Compliance is supported by the work of internal audit who have undertaken reviews of the GDPR framework and reported to Audit and Governance Committee. A published corporate retention policy is nearly complete. A full review of GDPR compliance will be undertaken by the council's Data Protection Officer later in the year – this process will be supported by internal audit.

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Risk ref	Corporate risk identified	Impact assessment / comment	Impact Score (1-5)	Likelihood Score (1-5)	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk mgt action points	Target risk score
6	Ineffective Emergency Planning	<p>Failure to deliver support to the community in the event of an emergency.</p> <p>Public not warned and informed in the event of an emergency</p> <p>Negative perception of the Council by external parties / partners/local businesses</p> <p>Failure to deliver critical services in the event of a declared emergency or event. Could result in significant extra cost over the long term</p>	4	4	16	<p>Trained and willing volunteers / staff.</p> <p>Up to date emergency / business continuity plans.</p> <p>Regular reviews of EP RAG Status (quarterly)</p> <p>Partnership working with the LRF and other partners e.g. Severn Trent Water.</p>	Head of Community Services	8	<p>Through the Emergency Planning Team Leaders group ensure that all plans and procedures are up to date.</p> <p>Ensure that Emergency plans are up to date.</p> <p>Develop further capacity within the organisation to assist in the case of an emergency (ensure all new job descriptions reflect this as a requirement). Up to date equipment supplies for rest centres.</p> <p>Annual audit of equipment for rest centres.</p> <p>Carry out a test exercise in 2019/20 to ensure our EP works.</p> <p>Complete MT training of EP.</p>	4

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Red	16 – 25	Must be managed down to reduce risk scores in the next year
Amber	5 – 15	Seek to improve the risk score in the medium term
Green	1-4	Tolerate and monitor

Risk ref	Corporate risk identified	Impact assessment / comment	Impact Score (1-5)	Likelihood Score (1-5)	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk mgt action points	Target risk score
Comments: There is a programme in place to continually review our emergency planning procedures along with the local resilience forum. The Major Incident Procedures Manual has recently been reviewed and updated by the LRF and is currently being consulted on with relevant organisations across the County. Regular reports are brought to the quarterly Emergency Planning Team Leaders meeting and also periodically to CMT. Members of CMT have arranged to go on various EP training. A recent staff briefing highlighted the work of emergency planning to council staff and aimed at increasing the number of volunteers to add resilience to the team. This risk is currently being audited to give assurance that mitigating controls are effective and identified risk management action points are being progressed.										
208 7	Detrimental impact of proposed waste changes (Javelin Park/waste transfer station).	If the council is directed to direct delivery waste to Javelin Park (Energy for Waste Plant) then the Council will have a significant financial burden both in capital and revenue terms for 2019/20 and ongoing – current estimates are approximately £1m capital and £1m revenue.	5	5	25	Officer/member negotiation with GCC and contingency plans being drawn up to minimise reputational and financial impact on TBC Monthly mobilisation meeting are underway to facilitate a smooth transition to the new arrangements	Head of Community Services	40	GCC/TBC/CBC officers and members have met to try to progress a solution. Further work is taking place to safeguard CBC/TBC's position as far as possible and mitigate any financial or reputational risk. Exec/CLT are briefed regularly	4
Comments: Continuing to work closely with Gloucestershire County Council, the Joint Waste Team and Ubico to minimise any disruption to waste services. Javelin Park EfW facility will be operational at the end of June and TBC are due to start delivering waste there on 8 July 2019. Arrangements will obviously be kept under continual review.										

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Risk ref	Corporate risk identified	Impact assessment / comment	Impact Score (1-5)	Likelihood Score (1-5)	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk mgt action points	Target risk score
8	Failure of our waste partner to deliver an effective service.	<p>Failure of contractor or partners to deliver services or meet agreed performance targets leads to additional costs or failed objectives.</p> <p>Failure of MRF operator to be able to fulfil contract.</p>	5	3	15	<p>Contract / Performance monitoring processes in place and improved.</p> <p>Established government arrangements.</p>	Head of Community Services	10	<p>Review of contractual arrangements and service specifications.</p> <p>Service review and improvement plan for grounds maintenance and street cleansing.</p> <p>Enforcement of contract rules.</p>	8

Comments:

Regular contract monitoring is in place and remedial actions taken where necessary. Regular meetings take place with senior management at both TBC and Ubico to seek to improve performance and financial reporting. A report is being presented at Overview and Scrutiny Committee on 23 July 2019 proposing to set up a member working group to oversee the effectiveness of the Ubico operation.

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Risk ref	Corporate risk identified	Impact assessment / comment	Impact Score (1-5)	Likelihood Score (1-5)	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk mgt action points	Target risk score
210 9	Use of Swindon Road depot.	Our waste services are currently based at the Swindon Road Depot in Cheltenham. The depot is currently leased to Ubico by Cheltenham Borough Council. If CBC were minded to terminate this arrangement then we may need to identify a suitable depot for Ubico to operate of waste services from.	5	2	10	Lease agreement in place.	Head of Community Services	8	Review legal lease arrangements at Swindon Road Depot. Consider where a temporary depot could operate from in an emergency. Ensure that there are robust leasing arrangements in place to ensure that we are not left without a depot at short notice	5

Comments:

Lease arrangements are in place. Working with Cheltenham Borough Council on potential depot plans and locations. A project group involving officers from TBC, CBC and Ubico are exploring alternative options for a strategic depot at a different location to Swindon Road.

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Risk ref	Corporate risk identified	Impact assessment / comment	Impact Score (1-5)	Likelihood Score (1-5)	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk mgt action points	Target risk score
10	Safeguarding arrangements	That the arrangements and implementation of policies and procedures by the Council (and its partners) are not adequate to protect vulnerable adults and children who may be at risk of significant harm. The damage to the Council would be mainly reputational.	5	2	10	<p>Staff awareness of safeguarding.</p> <p>Safeguarding policy in place.</p> <p>Feedback from S.11 annual audit.</p> <p>Partnership working through the District Safeguarding Network.</p> <p>Taxi driver DBC checks carried out. Street Trader DBS checks implemented.</p>	Head of Community Services	6	<p>Raising awareness of safeguarding policies and procedures with staff through staff briefings, one to ones, PPDs and training.</p> <p>Adopt the quality assurance framework for safeguarding.</p> <p>Implement feedback from S.11 Audit.</p> <p>Where necessary ensure pre-employment checks / DBS checks are carried out.</p> <p>The Council's safeguarding policy and procedures is currently under review.</p>	4

Comments:

New online training is available for staff and members. Regular safeguarding updates via the District Safeguarding Network meeting. A light touch review of the Safeguarding Policy indicates that at this point in time it remains fit for purpose.

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Risk ref	Corporate risk identified	Impact assessment / comment	Impact Score (1-5)	Likelihood Score (1-5)	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk mgt action points	Target risk score
11	Failure to maintain council assets and ensure ongoing tenancies could result in significant cost and lost income	The Council has a significant property portfolio encompassing both operational and investment assets. For example, the total commercial portfolio is £39.5m producing an annual gross income of £2.4m. A further £6.7m is available within the capital programme to support the portfolio.	5	4	20	<p>Recent refurbishment of service related property</p> <p>Establishment of annual contribution to Asset Maintenance Programme</p> <p>Commercial investment reserve</p> <p>Trained and experienced staff</p> <p>Appointment of external investment support</p> <p>Recruitment of additional Property Officer</p>	Head of Finance and Asset Management	6	Establishment of long term asset maintenance programme, including allocation of required funding	3
<p>Comments: Management of council assets improved through additional capacity and resources being secured. Audit of all council assets in progress to establish ongoing maintenance requirements and inform a long term plan.</p>										

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Risk ref	Corporate risk identified	Impact assessment / comment	Impact Score (1-5)	Likelihood Score (1-5)	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk mgt action points	Target risk score
12	Treasury management decisions with the wrong focus could be costly over the long-term	<p>Making investment decisions with an inappropriate balance between risk and reward could result in low returns or investment principal being lost</p> <p>An inappropriate balance between minimising cost with short term borrowing and securing low long term rates could result in significant extra cost over the long term</p>	4	4	16	<p>Appointment of external treasury advisors</p> <p>Approval of annual treasury strategy</p> <p>Strong relationships with city brokers</p> <p>Trained and experienced staff</p>	Head of Finance and Asset Management	4		4

213

Comments:

Annual treasury strategy approved in January. The strategy continues to be based on a diverse range of investments to balance risk and return with further emphasis on pooled investment vehicles. The borrowing strategy continues to strike a balance between low short term rates and the very low long-term rates currently on offer.

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Risk ref	Corporate risk identified	Impact assessment / comment	Impact Score (1-5)	Likelihood Score (1-5)	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk mgt action points	Target risk score
13	If the Growth Hub fails to deliver the outputs as specified within the LEP agreement then there is potential that the capital grant would have to be repaid.	<ul style="list-style-type: none"> Financial risk (£500k) Reputational Wider impact on economic delivery in the borough 	3	3	9	<p>Performance monitoring through CRM system Partnership working and effective governance with LEP</p> <p>Dedicated staff to manage hub and outputs e.g. manager and navigator</p> <p>Promotion through business networks</p>	Head of Development	4	Review staffing as navigator is a temporary post	4

214

Comments:

Growth Hub Navigator post successfully recruited to on permanent basis. Outputs being achieved and regular discussions with LEP are taking place as regards to outputs and these are reported on a regular basis.

The Growth Hub Manager (Growth and Enterprise Manager) regularly monitors the outputs and reports them on a regular basis. Effective promotion of the hub and its events provide publicity to maximise outputs. The Head of Development Services is considering options to ensure that the service has the capacity to deliver the outputs and objectives.

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Risk ref	Corporate risk identified	Impact assessment / comment	Impact Score (1-5)	Likelihood Score (1-5)	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk mgt action points	Target risk score
14	If the council's fraud and corruption framework is not robust then this leaves the council vulnerable to potential fraud and corruption.	<ul style="list-style-type: none"> Financial loss Adverse reputation Impact on staff morale 	4	4	16	Counter Fraud Unit Internal Audit Policy framework incl code of conduct	Head of Finance & Asset Mgt	9	Review of key policies eg. whistleblowing, anti fraud and corruption Deliver actions within serious crime checklist programme of officer and member training to be implemented	4
Comments: The council is part of the established Gloucestershire County Fraud Unit (CFU). The CFU has an annual work programme with updates provided to corporate management team, Exec/CLT and Audit and Governance Committee. Part of the 19/20 work programme is to undertake a review of key policies within the council's governance framework. Fraud awareness training for members will be programmed in for quarter two.										
15	The uncertainty over Brexit leads to an adverse impact on council services and its communities.	<ul style="list-style-type: none"> Potential fuel shortages Data transfer implications Supply chain delays Economic impact Election – impact on resource 	4	4	16	Business continuity and contingency planning Intelligence and networking eg Local Resilience Forum, government agencies Government funding of £35k	Corporate Management Team	16	On-going participation in multi-agency network Potential support to small businesses through Growth Hub Glos LRF undertaking an audit of countywide fuel storage capacity Data storage assessment	12
Comments: The Government remains focused on ensuring a smooth and orderly withdrawal from the EU with a deal as soon as possible. However, no deal remains the legal default at the end of the extension period on 31 October.										

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Risk ref	Corporate risk identified	Impact assessment / comment	Impact Score (1-5)	Likelihood Score (1-5)	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk mgt action points	Target risk score
16	Garden town status	<p>Failure to deliver Garden Town project will have an impact on the Council in</p> <ul style="list-style-type: none"> • Reputation - Confidence from Government of TBC ability to deliver programme • Financial (loss of NHB from assumed delivery of homes) • Non Delivery of homes and jobs required for community 	5	5	25	<p>Tewkesbury Borough Council are holding regular meetings with the Project Assurance Group which is attended by a Homes England representative.</p> <p>The project is being managed through the standard HE Project Delivery Plan (PDP).</p> <p>Staff are being recruited to for the project to set up a team.</p> <p>A masterplan to deliver the planning/physical delivery strategy is being commissioned.</p> <p>The Council is in</p>	Head of Development Services	15	<p>Ongoing management through the Project Assurance Group</p> <p>Appointment of the Garden Town Team with appropriate skills and experience.</p> <p>Engagement with Senior Officers from Homes England</p> <p>Participation with the Garden Town Induction programme</p> <p>Internal monitoring through using the PDP</p>	9

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						receipt of £750,000 funding to add capacity to the programme				

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit and Governance Committee
Date of Meeting:	24 July 2019
Subject:	Internal Audit Quality Assurance and Improvement Programme
Report of:	Chief Audit Executive (Head of Corporate Services)
Corporate Lead:	Chief Executive
Lead Member:	Lead Member for Corporate Governance
Number of Appendices:	1

Executive Summary:

In accordance with standard 1300 of the Public Sector Internal Audit Standards (PSIAS), the Chief Audit Executive (CAE) must develop and maintain a quality assurance and improvement programme that covers all aspects of internal audit activity. For Tewkesbury Borough Council, as defined in the Internal Audit Charter, the Head of Corporate Services undertakes the role of CAE.

Recommendation:

To CONSIDER the contents of the quality assurance and improvement programme.

Reasons for Recommendation:

The work of internal audit complies with the Public Sector Internal Audit Standards (PSIAS). These standards state that the Chief Audit Executive (CAE) must report functionally to the board. Reporting of the quality assurance and improvement programme helps demonstrate this report requirement.

Resource Implications:

None arising directly from this report.

Legal Implications:

None.

Risk Management Implications:

If the CAE does not report functionally to the board then this does not comply with PSIAS. If the Internal Audit Team does not continually challenge itself to improve then potentially it will not maximise its value to support the Council in achieving its objectives.

Performance Management Follow-up:

Elements of the quality assurance and improvement programme will be contained within the internal audit monitoring report, which is reported to committee on a quarterly basis. Progress in delivering the actions within the quality assurance and improvement programme will also be summarised and reported on an annual basis to Audit and Governance Committee.

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

1.1 In accordance with standard 1300 of the Public Sector Internal Audit Standards (PSIAS) the Chief Audit Executive (CAE) must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. For Tewkesbury Borough Council, as defined in the Internal Audit Charter, the Head of Corporate Services undertakes the role of the CAE.

2.0 QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

2.1 The quality assurance element of the programme summaries the rigorous audit process to ensure all audits are completed to a consistent and high standard. The quality assurance and improvement programme is representative and proportionate to reflect the small size of the Internal Audit Team.

2.2 An initial quality assurance and improvement programme was first presented to Committee in September 2017. This was subsequently subsumed by an independent external review of the internal audit activity which was undertaken during November 2017. This review was in compliance with PSIAS which requires such a review to be undertaken at least every five years.

2.3 The final report on the external review was presented at Audit Committee in March 2018. It was pleasing to report that the review concluded there were no areas of non-compliance that would affect the overall scope or operation of the internal audit activity.

2.4 As would be expected of a detailed review, recommendations to further improve the effectiveness of the internal audit activity were made and accepted. Succinctly, the recommendations could be categorised as follows:

- Amendments to the Internal Audit Charter to define more clearly parts of the internal audit activity.
- Formal safeguards to maintain the independence of the CAE.
- Undertake audit planning by using a more strategic focus.
- Revision of audit documentation to improve the audit planning process.

2.5 Progress in implementing the recommendations have been reported to the previous Audit Committee during the course of 2018/19. For example, the approval of a revised Internal Audit Charter by Audit Committee in July 2018 and the revision of audit documentation including a new reporting template.

- 2.6** In light of the fairly recent review but also demonstrating good practice, a high-level desktop assessment has been undertaken against PSIAS. This gives assurance the internal audit activity remains compliant with PSIAS. This has been circulated and signed-off by the internal Corporate Governance Group.
- 2.7** The quality assurance and improvement programme incorporates any remaining actions from the original PSIAS review and includes actions the Internal Audit Team feel will add value to the service. The quality assurance and improvement programme is attached at Appendix 1. Actions outstanding from the original PSIAS review are annotated with an asterisk. Progress on compliance with this assurance programme and delivery of the improvement actions will be reported to Audit and Governance Committee through a combination of the quarterly internal audit monitoring report and an annual report.
- 3.0 OTHER OPTIONS CONSIDERED**
- 3.1** None.
- 4.0 CONSULTATION**
- 4.1** None.
- 5.0 RELEVANT COUNCIL POLICIES/STRATEGIES**
- 5.1** Internal Audit Charter and Internal Audit Annual Plan
- 6.0 RELEVANT GOVERNMENT POLICIES**
- 6.1** None
- 7.0 RESOURCE IMPLICATIONS (Human/Property)**
- 7.1** Actions to be delivered within existing resources.
- 8.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)**
- 8.1** None.
- 9.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)**
- 9.1** Internal Audit contributes to value for money through its improvement work and specific actions with the improvement programme may delivery value for money outcomes.
- 10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS**
- 10.1** None.

Background Papers: None

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Appendices: Appendix 1 - Quality Assurance and Improvement Programme

internal audit

Tewkesbury Borough

Quality Assurance and Improvement





the following programme has been developed and implemented for the internal audit team at Tewkesbury

Background

In accordance with standard 1300 of the Public Sector Internal Audit Standards (PSIAS) the Chief Audit Executive (CAE) must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.

The programme must include both internal assessments and external assessments. For Tewkesbury Borough Council, as defined in the internal audit charter, the Head of Corporate Services undertakes the role of CAE.

To meet the above standards the following programme has been developed and implemented for the internal audit team at Tewkesbury. The programme has been developed so it is proportionate and practical for the small size of the team (2FTE).





Bi-annual plan

The work of the team is directed by a bi-annual audit plan. The plan is presented at corporate management team for endorsement before they are presented at Audit & Governance Committee for formal approval.

Once approved the plan is profiled in consultation with relevant managers. The plan is monitored regularly by both the senior auditor and the CAE. On a monthly basis, the internal audit team hold a team meeting to monitor progress in delivering the audit plan.

Within the plan is an allocation of days headed as "corporate improvement". These are used by Corporate Management Team to use Internal audit for improvement type work, for example where current resource may not exist.

Prior to undertaking an audit, the assignment brief will be approved and signed off by the CAE. All subsequent working papers will be quality assured by the senior auditor, and they will be dated and initialled as evidence of the quality check. The work of the senior auditor will be peer reviewed by the other internal auditors.

A review sheet will be completed by the peer reviewer of questions arising as a result of the quality assurance review. The auditor will respond to these and all responses will be documented on the review sheet and signed off.

Supporting the working papers will be a draft report including any recommendations. These will be quality assured at the same time as the working papers. The CAE will see all draft reports. The outcome of the review of the working papers can lead to an amendment of the draft report.

Following a supervisory review of all audit documentation, the draft report will be issued to the client for approval. The client will naturally quality assure these, for example to ensure they are factually accurate. If there are any significant changes to the draft report or recommendations these will be agreed with the CAE.

Once finalised, the final report will be submitted to the CAE to formally sign the audit off by making comments and deciding if there is any further action. For example, to raise any findings with senior management or if any future audit work is required.

The time taken on individual audits is recorded on a daily work log. A management indicator is to measure the total number of audits completed within the allocated number of days.

There are allocated days within the audit plan to follow up audit recommendations to determine if they have been implemented. Clients are notified on a quarterly basis of outstanding recommendations and these are also raised by the CAE at management meetings. The progress in implementing recommendations are reported to Audit & Governance Committee with escalation procedures in place should the recommendation not have been implemented.

the CAE will see
all draft reports,
regardless if he
has quality
assured the
working papers
or not

Internal audit process

During the course of the audit, individual auditors tend to work on their own initiative. If need be, the small size of the team does make it easy for auditors to discuss any issues that may arise, particularly if it requires management input either from the senior auditor or CAE.



Client survey

The draft audit report and recommendations are sent to the client together with a client survey form. The completion of the form is encouraged but is not mandatory. Completed client survey forms are returned to the senior auditor for review and appropriate action taken where necessary including informing the CAE. The eight measurements within the client survey are scored and cumulative values are reported as a performance indicator to audit & governance committee and at quarterly team meetings.



Chair of Audit & Governance Committee and Lead Member engagement

The quality assurance and improvement programme, together with an overview of internal audit work undertaken forms part of a quarterly discussion with relevant members.

Performance

Indicators

The team has three performance indicators, which is deemed proportionate to the size of the Internal Audit activity; details of these can be seen in Appendix 1.

Knowledge and

Networking

It is important the team keep abreast of local and national news that affect the work of internal audit. This ensures the team is up to date with best practice and where appropriate can use this to improve the internal audit function. This is achieved through a number of ways:-

External focus

- Continuing professional development
- Membership of the Institute of Internal Auditors
- Subscription to CIPFA TIS forum
- Participants in the Midland Internal Audit Group
- Ad hoc training courses

The team also need to be in touch with what is going on internally within the council;

Internal focus

- Membership of key corporate groups
- Representation on project teams
- CAE sits on management team
- Corporate location of the team
- Direct reporting to the Chief

Executive

The location and standing of the internal audit function including its reporting remit is detailed within the internal audit charter.

Personal,

Professional

Development (PPD)

In line with the council's HR procedures, each member of the team participates in an annual PPD appraisal. This is supported with less formal meetings during the course of the year. The PPD creates dialogue around individual performance, training and development.

Internal assessments

This will be achieved through ongoing monitoring of the performance of the internal audit activity by the CAE. For example, through monthly team meetings, performance indicator outturn figures, 1-2-1 meetings and feedback from other management team members. The CAE meets on a regular 1-2-1 basis with the Chief Executive.



External assessment

An external assessment of the internal audit function will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The CAE will agree the approach of the assessment and the appointment of the assessor with the Head of Finance and Asset Management and the Chair of Audit & Governance Committee. Corporate management team will be informed of the assessment process.

Reporting to Audit & Governance Committee

As part of the CAEs annual report, this will include details on compliance with the quality assurance framework and progress on implementing actions within the improvement programme.

The audit team

recognise it is important to continually review practices which would lead to the establishment of an improvement programme.

Improvement programme

The audit team recognise it is important to continually review practices which would lead to the establishment of an improvement programme and an associated action plan to deliver the programme. The current improvement programme is attached in Appendix 2 and remains flexible so new areas of improvement can be added and timetabled.



Internal audit key performance indicators

IA 1 % Number of Recommendations implemented in the year

Description	% Number of Recommendations implemented in the year
Purpose/aim	To measure IA effectiveness in setting realistic performance targets in respect of the recommendations made and to measures services' effectiveness in the implementation of recommendations.
Definition	Follow ups are undertaken on a quarterly basis on recommendations that met their target date in the previous quarter. On the evidence supplied, a determination is made by the auditor and agreed with the client as to the status of the recommendation i.e is it implemented, partially implemented or not implemented. This PI will measure the number of recommendations implemented by the initial quarterly target date.
Formula	$X \times Y / 100$ <p>X = number of recommendations implemented by the quarterly follow up target date. Y = total number of recommendations reviewed by the quarterly follow up target date.</p>
Measurement Period	Current financial year. Each quarter the PI will be calculated and reported as a cumulative measurement at the end of the year.
Evidence to support PI	1 – recommendations, implementation dates, and quarterly target dates for follow ups are recorded on the outstanding recommendations sheet.

IA 2 % of audits completed to draft stage within the allocated number of days

Description	% of audits completed to draft stage within the allocated number of days.
Purpose/aim	% of audits completed to draft stage within the allocated number of days. To give assurance as to the efficiency of work and days being allocated are reasonable.
Definition	Days taken – the number of days taken to issue the audit as a draft report ie. Includes re-search, scope, assignment brief through to issue of draft report. Days taken as recorded on the audit work log will be used within the formula.
Formula	$X \times Y / 100$ <p>X = number of audits to be issued as a draft report within the allocated number of days Y = number of audits</p>
Measurement Period	Current Financial Year reported on a cumulative basis.
Evidence to support PI	<p>1 – for X— The hours for each audit undertaken are daily recorded on the work log. The audit plan notes the day the audit was issued at draft. The hours will be calculated to the date that the report was issued at draft and the total hours will be recorded in days on the audit plain.</p> <p>2— for Y— This is actual days allocated for audit and is recorded on audit plan.</p>

Internal audit key performance indicators - continued**IA 3 Customer Satisfaction**

Description	The level of customer satisfaction achieved as recorded on the client survey					
Purpose/aim	PSIAS requires that a quality assurance programme is in place					
Definition	<p>A client survey for each audit is issued to the client when the draft audit report is sent. It is not mandatory that a client survey is completed so the PI only measures responses received.</p> <p>The client survey consists of 3 quality assurance areas: audit planning, audit communication and audit feedback. There are 8 subcategories in total in relation to these assurance areas and they are scored between good (4) and unsatisfactory (1). The average score is then applied to each assurance subcategory and the overall cumulative average.</p>					
Formula	A worked example is as follows based on 10 client surveys being returned :-					
	Heading	Good (4)	Satisfactory (3)	Limited (2)	Unsatisfactory (1)	Average
	Audit planning					
	1) Consultation	4 x (4) = 16	5 x (3) = 15	1 x (2) = 2	0 x (1) = 0	33/10 = 3.3
	2) Response	3 x (4) = 12	4 x (3) = 12	3 x (3) = 9	0 x (1) = 0	33/10 = 3.3
	Audit communication					
	1) Feedback on findings	4 x (4) = 16	5 x (3) = 15	1 x (2) = 2	0 x (1) = 0	33/10 = 3.3
	2) Helpfulness	4 x (4) = 16	5 x (3) = 15	1 x (2) = 2	0 x (1) = 0	33/10 = 3.3
	3) Knowledge of service	2 x (4) = 8	8 x (3) = 24	0 x (2) = 2	0 x (1) = 0	34/10 = 3.4
	Audit reporting					
	1) Accuracy of findings	6 x (4) = 24	2 x (3) = 6	1 x (2) = 2	1 x (1) = 1	33/10 = 3.3
	2) Report opinion	5 x (4) = 20	4 x (3) = 12	1 x (2) = 2	0 x (1) = 0	34/10 = 3.4
	3) Value of conclusion	4 x (4) = 16	4 x (3) = 12	2 x (2) = 2	0 x (1) = 0	32/10 = 3.2
					Total:	26.5
					Overall Average	26.5/8 = 3.3
Measurement Period	Current financial year on responses received. A cumulative measurement of this PI will be reported.					
Evidence to support PI	<p>1 – client surveys are retained electronically on individual audit files and are dated.</p> <p>2 – the client values are entered into the audit plan spreadsheet, under IA3.</p>					

Internal audit improvement programme summary

	PSIAS Ref	Improvement action identified	Implementation Date
1	Proficiency and due professional care	The establishment of an audit manual to support internal processes. The manual will be reviewed on a 3 yearly basis *	December 2019
2	Continuing Professional Development	To support one of the team to achieve a recognised internal audit qualification	September 2019
3	Continuing Professional Development	To look at the feasibility of a new income stream through the implementation of a training programme for other internal auditors	March 2020
4	Managing the internal audit activity	Training to be provided to support new members of the Audit & Governance Committee in achieving their terms of reference	January 2020
5	Managing the internal audit activity	Carry out a management survey to ensure Internal Audit is maximising its value	March 2020
6	Planning	Undertake an audit of the risk management framework. *	March 2020
7	Planning	An assurance mapping exercise should be carried out, to ensure all areas of the council's control environment are adequately covered.	March 2020
8	Resource Management	Undertake an ICT risk assessment and following this use of specialist IT auditors for more in-depth work. *	September 2019
9	Quality of Communications	A review of audit documentation and processes including intranet and website pages.	March 2020

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit and Governance Committee
Date of Meeting:	24 July 2019
Subject:	Audit and Governance Committee Annual Report 2018/19
Report of:	Chief Audit Executive (Head of Corporate Services)
Corporate Lead:	Chief Executive
Lead Member:	Lead Member for Corporate Governance
Number of Appendices:	One

Executive Summary:

The role of the Audit and Governance Committee is to obtain independent assurance of the adequacy of the Council's risk management, governance and internal control arrangements. Reporting the work of the Committee through an annual report provides an opportunity for both the Council and the public to view the work of the Committee and demonstrate it is delivering its terms of reference.

Recommendation:

To APPROVE the Audit and Governance Committee Annual Report 2018/19.

Reasons for Recommendation:

It is within the Terms of Reference of the Committee to produce an annual report on their performance. An annual report also helps increase the profile of the Committee. It is important to ensure that the work of the Committee, and the assurance it provides as to how well certain aspects of the Council is performing, is reported beyond the Committee itself.

Resource Implications:

None.

Legal Implications:

None.

Risk Management Implications:

The production of an annual report helps to demonstrate the effectiveness of the Committee and minimise the risk it is not fulfilling its approved Terms of Reference.

Performance Management Follow-up:

Annual review of the work of the Committee provides transparency and accountability and increases the profile of the Committee. The annual report will also be presented at Council by the Chair of the Committee.

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

1.1 The Audit and Governance Committee must deliver the work required of it as set out in the Council's Constitution. The Committee undertakes an assurance role to ensure the Council's risk, governance and internal control environment is operating effectively. The Committee has a formal work programme for the year and this programme ensures there is adequate coverage of the council's activities to fulfil the assurance role.

2.0 AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT

2.1 The production of an annual report is also good practice and helps demonstrate the broad coverage of activities that the Committee has been informed of, reviewed and challenged during the year. The coverage of the work undertaken has been achieved through a combination of the following:

- Internal audit monitoring reports.
- Annual Governance Statement.
- Financial reporting including the presentation and approval of the Council's Statement of Accounts.
- Gloucestershire Counter Fraud Unit reports.
- External audit monitoring reports.
- Reports on key governance policies and frameworks e.g. Health and Safety, risk management, General Data Protection Regulation.
- Serious and Organised Crime framework.

2.2 Following approval of the annual report it will be presented by the Chair of the Committee to Council. The 2018/19 annual report can be found in Appendix 1.

3.0 OTHER OPTIONS CONSIDERED

3.1 None.

4.0 CONSULTATION

4.1 None.

5.0 RELEVANT COUNCIL POLICIES/STRATEGIES

5.1 None.

6.0 RELEVANT GOVERNMENT POLICIES

6.1 None.

7.0 RESOURCE IMPLICATIONS (Human/Property)

7.1 None

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

8.1 None

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

10.1 None

11.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

11.1 None.

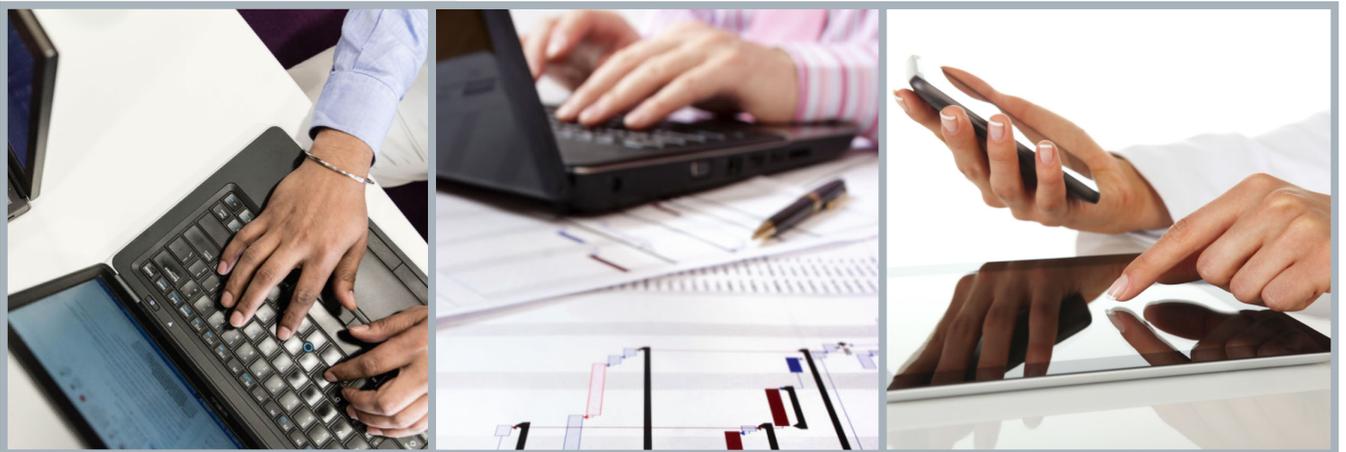
Background Papers: None

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Appendices: Appendix 1 – Audit and Governance Committee Annual Report 2018/19

Audit and governance committee annual report

2018/19



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Message from the Chair of 2018/19 Audit and Governance Committee



Councillor Heather McLain

Welcome to the annual report of the newly named Audit and Governance Committee. This was the first year I have chaired the committee but it did help that I have been a member of the committee for a few years. I therefore appreciate the committee's breadth

of work and I can dispel the myth it is all about financial matters. I would encourage all members to read the reports presented at committee as they provide an excellent overview of the council's internal control environment.

For example, the committee has received reports from our internal audit team on the Community Infrastructure Levy, Ubico client monitoring, General Data Protection Regulation, Disabled Facility Grants, Project Management, Garden Waste. This is only a small snapshot but demonstrates the coverage across all council services.

We have a small but effective internal audit team who provide assurance to the committee as to what is working well or not. Likewise we receive similar assurance from our external auditors, Grant Thornton. Between the two, they identify where improvements are required in relation to the various systems, processes and procedures operating across the council. With regards to financial matters, it is comforting to report that the committee always receives positive reports on the quality of

financial reporting and that the financial systems supporting these reports are managed effectively. This can be directly credited to the council's Finance team.

One of the key aims during the last year has been to raise the profile of the committee. This annual report, first introduced last year, hopefully helps to do this. The rename of 'Audit and Governance' supported with a revised terms of reference now recognises the full remit of the committee. Moving forward to 2019/20, the increased membership, from seven to nine members should provide new challenge and a new set of 'eyes and ears'. I thank all of the committee for the support they provided me during the year.

Best wishes,

Councillor Heather McLain

The role of Audit and Governance Committee

The role of the committee is an important one. The key role is that of assurance. The committee needs to be assured that the council's risk, governance and internal control environment is operating effectively. Given the council's complexity of services, processes, procedures and policies then there will always be occasions where improvements are required. Where these are identified, then the committee should seek assurance the necessary improvements are monitored and implemented. The assurance provided to the committee comes from a number of sources including internal audit, external audit, the finance team and the Counter Fraud Unit.

Work undertaken by the Audit and Governance Committee

Annual Governance Statement (AGS)

It is a statutory requirement that the council publishes an AGS. In layman's terms, the document reflects the state of play in relation to the council's overall governance arrangements. A review of these arrangements are undertaken by the internal Corporate Governance Group. This is a group comprising senior officers and the Lead Member for Corporate Governance. The AGS recognises improvements made to the governance framework during the year. These include;

- Approval of a new council constitution.
- Approval of a new risk management strategy.
- Implementation of a new corporate risk register.
- Approval of a new workforce development strategy.

The AGS is approved by the committee who then receive progress reports to resolve the issues identified. The areas identified for improvement for 2019/20 are summarised in the table on page 3

Governance issue	Proposed action	Timescale	Responsible officer/group
1 Community Infrastructure Levy (CIL) - governance arrangements	Deliver key internal audit recommendations; <ul style="list-style-type: none"> • Overall governance arrangements to be formalised • Operational processes to be agreed e.g. monitoring, reporting and reconciliation • Greater clarity of S123 list 	September 2019	CIL Working Group (Head of Development as lead officer)
2 Ubico – financial governance	Implement financial governance improvement plan; <ul style="list-style-type: none"> • Explanation of overspend to be provided • Final outturn figure to be reported to June Executive Committee (supported by Ubico officer representation) • Internal audit review • Review of financial controls 	September 2019	Head of Community/Head of Finance and Asset Management
3 Serious Crime Framework – key policy review	Review the following policies; <ul style="list-style-type: none"> • Whistleblowing • Bullying and Harassment • Gifts and Hospitality • Code of Conduct • Anti-Fraud and Corruption 	March 2020	Borough Solicitor/Head of Corporate Services/Counter Fraud Unit
4 Local Code of Corporate Governance	<ul style="list-style-type: none"> • Develop and approve a new code of governance 	March 2020	Head of Corporate Services

Effectiveness of Audit and Governance Committee

It is important the value of the committee is maximised. As mentioned in the Chair's introduction, a desire to improve the committee's effectiveness is shared by all members who sit on the committee. Supported by officers, this work has commenced. For example;

- Introduction of an escalation procedure whereby any concerns raised by the committee can result in the 'call in' of officers. For example, audit recommendations that have not been implemented.
- Development and reporting through the new corporate risk register.
- Updated terms of reference and subtle committee name change.
- Increased committee membership for 2019/20 (7 to 9 members).
- Establishment of an annual report and presentation to council.
- Quarterly update meetings attended by internal audit, Chair of the committee and Lead Member for Corporate Governance.

Moving forward, actions are;

- Training for new members of the committee.
- Introduction of a six monthly committee newsletter that can be circulated to the wider membership.

In terms of operational effectiveness, it is this committee, working hand in hand with internal audit that has driven key improvement initiatives. For example, the highly successful garden waste scheme which has resulted in excess of £830,000 was a direct result of the committee supporting improvements as recommended by internal audit. Additionally, the committee has sought continued assurance regarding the adequacy of the council's client monitoring arrangements of the Ubico contract. As a result, a new suite of key performance indicators have been agreed across partner councils.

Internal Audit peer review

The work of internal audit is pivotal to the committee receiving independent assurance on how well the council's internal control environment is operating. The work of internal audit is governed by a set of standards – Public Sector Internal Audit Standards (PSIAS). It is a requirement of PSIAS that at least every five years internal audit is subject to an independent assessment undertaken by a suitably qualified person.

This assessment took place in November 2017. Following completion of 42 pages of working papers it was pleasing the assessment concluded there were no areas of non-compliance with PSIAS that would affect the overall scope or operation of the internal audit activity. As with any review, a number of recommendations were made to improve the audit process further and these have been implemented during the course of 2018/19. These include;

- Review and update of the internal audit charter.
- Putting in place safeguards to protect the independence of the Chief Audit Executive (Head of Corporate Services).
- Review and update of internal audit documentation.
- Adopting a more risk based approach to internal audit assignments.
- Adoption of a flexible, half year audit plan.
- Review of audit recommendation categorisation.

Overall, it is comforting that the work of internal audit is undertaken in an independent, professional and objective manner. This provides assurance to the committee as to the standard of work being undertaken and they can place reliance upon that work.

Annual summary of Internal Audit work

At each committee meeting, a monitoring report is presented of the areas audited by the internal audit team. Examples of audit assignments completed during the year include; garden waste, council tax, GDPR, e-ordering, fleet management, Ubico client monitoring, serious and organised crime framework, Community Infrastructure Levy. For each area audited, an audit opinion is given on how well it is controlled. It is encouraging that the bulk of opinions conclude either a satisfactory or good level of control.

As the council is responsible for an array of services with varying degrees of complexity, then it should not be unexpected the opinion will not always be positive. In audit terms where the level of control is not as it should be, a 'limited' assurance opinion is given. Where there is a fundamental lapse in control, this can lead to an 'unsatisfactory' opinion. With regards to the latter, it is pleasing to report no such opinions were reached during the course of the year.

In terms of 'limited' opinions, specific areas were identified; garden waste (data retention and stock control of licences), fleet management (lack of annual service report/stock control/usage between partners), Ubico client monitoring (financial governance), Community Infrastructure Levy (governance) and GDPR (privacy statements). Audit recommendations to improve control have been accepted by management and all will be followed up to give assurance they have been implemented.

All recommendations that were due to be followed up in the year were actually followed up.

Financial reporting

The finance bit!! – Committee does receive an element of financial reporting information as follows;

- Statement of Accounts (SoA) – it is a requirement of the committee to approve the council's accounts. This is no mean task as they are technically complex. Excellent training is given by the finance team so the committee can understand the key elements. Committee were greatly impressed to receive a positive report from the council's external auditors, Grant Thornton on the accuracy and promptness of the accounts, particularly as the deadline for producing them had been brought forward.
- Letter of representation – prior to approving the accounts, committee consider a statement from the council's Head of Finance on the principles under which the accounts have been prepared.
- Statement of Accounting Policies and Critical Judgements – in advance of the year-end closedown and preparation of accounts, committee also received a report on the judgements that management have made in the process of applying the authority's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

External Audit assurance

In addition to the work of internal audit, reliance on how well the council is performing is given by the council's external auditors, Grant Thornton. A summary of their findings during the year were as follows;

- They concluded that the council's financial

statements were a true and accurate reflection and took the opportunity to thank the council's finance team for their support and engagement during the review process. No amendments were required to the accounts as a result of their accuracy.

- They were satisfied that, in all significant aspects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. A word of caution - in their risk assessment they have highlighted the Council must ensure it develops a robust savings plan in order to deliver its annual budgets with sufficient capacity to manage its emerging cost pressures over the duration of its Medium Term Financial Strategy (MTFS)
- A review of the Housing Benefit subsidy totalling £18.7 million led to a minor net amendment of £300. This is another endorsement regarding the accuracy of the council's financial information.

Serious crime framework

The Home Office has produced a Serious and Organised Crime checklist to be used by Local Authorities to assess their serious and organised crime risk. The checklist is intended to be a relatively simple and resource light tool. The checklist was populated during the year and considered by Corporate Management Team, prior to presentation at committee in December 2018. The checklist is broken down across five themes. Each theme is underpinned by a number of questions. Each question is assessed as either 'good', 'acceptable', or 'needs improvement'. The five themes are:

- Awareness, strategy, guidance and training.
- Risk management.
- Communication and information/intelligence sharing.

- Whistleblowing.
- Assurance.

The council is considered low risk, however it needs to remain vigilant and an action plan has been developed to maintain awareness to any potential threat. Only one area was flagged as 'needs improvement' – this relates to general awareness training for those staff involved in purchasing.

Supporting the checklist is a suggested framework for internal audit teams to consider. The framework is essentially an audit programme, asking key questions on activities such as;

- Strategy and awareness.
- Procurement.
- Human Resources.
- Gifts and hospitality.
- Whistleblowing.
- Licensing.

The internal audit team supported by the Counter Fraud Unit will be reviewing these activities and reporting to Audit and Governance Committee on how robust the internal control environment is for each activity.

Gloucestershire Counter Fraud Unit update

The committee receives a six month update on the work of the Counter Fraud Unit (CFU). The CFU works directly on behalf of all the Gloucestershire authorities, West Oxfordshire District Council and other public sector bodies such as Cheltenham Borough Homes. Included within the report to Audit Committee were examples of how the CFU has supported the council. These include;

- Development of a new Corporate Enforcement Policy – this is currently at draft stage and is with Corporate Management Team for consideration.
- Delivery of fraud awareness training for staff and Members.
- Processing and investigation of cases identified through the National Fraud Initiative.
- Full review of the housing list.
- Review of business rates valuation list.
- The CFU is now the single point of contact for all benefit related fraud.
- Assisting with disciplinary investigations.
- Assisting with intelligence for alleged fly tipping offences.
- Programme of training e.g. resilience training, assertiveness and dealing with difficult people, managing contractors safely, asbestos training etc.
- Basic awareness training provided to volunteers.
- The number of reported accidents and incidents are very low.
- Robust reporting mechanisms in place for the key contracts e.g. leisure centre, Ubico.

Health and Safety (H&S) annual report

H&S is a key part of the council's governance framework. As such, committee request an annual report to gain assurance that the council is a safe and healthy place to work. The key messages within the report were;

- The council has a health, safety and welfare policy which is reviewed regularly and supported by a suite of other related policies e.g. managing contractors safely policy, the control of substances hazardous to health, cemetery and memorial safety management, lone working etc.
- An annual action plan is in place.
- Quarterly reporting to corporate management team on both operational and strategic issues.
- The council being awarded the Workforce Wellbeing Charter.
- The Keep Safe, Stay Healthy Group is a positive forum to oversee all operational aspects of the council's health and safety responsibilities.
- The completion of risk assessments for all service areas.

Risk management

During the course of the year, the council's risk management arrangements were reviewed. The Audit Committee have been at the heart of this. Members attended a risk management refresher seminar, recommended to Executive Committee the approval of a new risk management strategy and have overseen the implementation of a new corporate risk register. It is a key role of the committee to gain assurance that the key risks facing the council are effectively managed.

Looking forward

Councillor Vernon Smith takes up the mantle of Chair for 2019/20, supported by Councillor Heather McLain as Vice-Chair. The committee membership has also been increased from 7 to 9 members. There is also a new Lead Member for Corporate Governance, Councillor Mike Sztymiak. One of Mike's key roles will be to oversee the effectiveness of the committee and the internal audit function. In terms of effectiveness, officers will work closely with the new committee to ensure they are appropriately trained to fulfil the committee's obligation and maximise its value.

2018/19 Audit Committee members



Cllr Gill Blackwell



Cllr Kevin Cromwell



Cllr Pauline Godwin



Cllr John Hesketh



Cllr Sue Hillier-Richardson



Cllr Heather McLain
CHAIR



Cllr Vernon Smith
VICE-CHAIR



Cllr Elaine MacTiernan
LEAD MEMBER

2019/20 Audit and Governance Committee members



Cllr Cate Cody



Cllr Kevin Cromwell



Cllr Louise Gerrard



Cllr Pauline Godwin



Cllr Heather McLain
VICE-CHAIR



Cllr Paul McLain



Cllr Helen Munro



Cllr Paul Smith



Cllr Vernon Smith
CHAIR



Cllr Mike Sztymiak
LEAD MEMBER

Mike Dawson
Chief Executive
Tewkesbury Borough Council

