

16 March 2022

Committee	Audit and Governance Committee
Date	Thursday, 24 March 2022
Time of Meeting	10:30 am
Venue	Tewkesbury Borough Council Offices, Severn Room

ALL MEMBERS OF THE COMMITTEE ARE REQUESTED TO ATTEND

Agenda

1. ANNOUNCEMENTS

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

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

2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

To receive apologies for absence and advise of any substitutions.

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 meeting held on 15 December 2021.	1 - 11
5.	AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME To consider the Audit and Governance Committee Work Programme.	12 - 18
6.	EXTERNAL AUDITOR'S ANNUAL REPORT 2020/21 To consider the external auditor's annual report 2020/21.	19 - 53
7.	CORPORATE RISK REGISTER To consider the risks contained within the Corporate Risk Register and assurance that the risks are being effectively managed.	54 - 77
8.	STATEMENT OF ACCOUNTING POLICIES To approve the accounting policies to be used in the preparation of the 2021/22 financial statements.	78 - 96
9.	CIPFA FINANCIAL MANAGEMENT CODE To approve the assessment of compliance with the Financial Management Code and to agree to receive an annual monitoring report on progress against the Code.	97 - 111
10.	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.	112 - 119
11.	INTERNAL AUDIT SIX MONTH PLAN 2022/23 To approve the Internal Audit Six Month Plan 2022/23 (April-September 2022) as detailed in Appendix 1.	120 - 127
12.	INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME To consider the Internal Audit Quality Assurance and Improvement Programme.	128 - 135
13.	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.	136 - 141

DATE OF NEXT MEETING
WEDNESDAY, 20 JULY 2022

COUNCILLORS CONSTITUTING COMMITTEE

Councillors: C M Cody, P A Godwin, D W Gray, H C McLain (Vice-Chair), P D McLain, H S Munro, V D Smith (Chair) and P E Smith. One vacancy.

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 Wednesday, 15 December 2021 commencing at 2:00 pm

Present:

Chair	Councillor V D Smith
Vice Chair	Councillor H C McLain

and Councillors:

C M Cody, P A Godwin, P D McLain, H S Munro and P E Smith

A&G.28 ANNOUNCEMENTS

28.1 The evacuation procedure, as noted on the Agenda, was advised to those present.

A&G.29 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

29.1 Apologies for absence were received from Councillor D W Gray. There were no substitutions for the meeting.

A&G.30 DECLARATIONS OF INTEREST

30.1 The Committee's attention was drawn to the Tewkesbury Borough Code of Conduct which was adopted by the Council on 26 June 2012 and took effect from 1 July 2012.

30.2 There were no declarations made on this occasion.

A&G.31 MINUTES

31.1 The Minutes of the meeting held on 15 September 2021, copies of which had been circulated, were approved as a correct record and signed by the Chair.

31.2 Councillor Cody requested that it be put on record that she did not believe today's meeting should be held in person given the latest government advice in relation to the Coronavirus pandemic and the mandate to work from home. She recognised that government legislation required decision-making Committees to be held in person but the majority of the items on the Agenda were 'to consider' and, in her view, the meeting could have been conducted virtually.

A&G.32 AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

32.1 Attention was drawn to the Audit and Governance Committee Work Programme, circulated at Pages No. 9-14, which Members were asked to consider.

32.2 The Head of Corporate Services explained that it had been intended to bring an Internal Audit Monitoring Report to today's meeting and, although the Internal Audit team was now being resourced, there was no significant audit conclusion work to report so this would now be taken to the meeting on 23 March 2022. He advised

that one Member of the Internal Audit team remained in the business cell until at least the end of March and an interim 12 month post had been agreed via new burdens funding.

32.3 Accordingly, it was

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

A&G.33 EXTERNAL AUDITOR'S PROGRESS REPORT

33.1 Attention was drawn to Grant Thornton's audit progress report and sector update, circulated at Pages No. 15- 37. Members were asked to consider the report.

33.2 The representative from Grant Thornton advised this was a high-level summary setting out the progress in relation to the annual audit cycle. The two main areas of responsibility were the financial statements audit, which had been completed at the start of November, and the value for money audit which was underway and on track to be completed in December; the National Audit Office required the value for money audit to be completed three months after giving the audit opinion on the financial statements and Members were informed it was intended to issue the annual auditor's report by the end of January 2022 and bring this to the Audit and Governance Committee in March. Page No. 19 of the report set out the various other elements of work undertaken including the certification of the housing benefit claim; whilst it was planned to meet the deadline there was a slight risk this would not be achieved so Grant Thornton had applied to the Department for Work and Pensions for an extension which was expected to be granted without any issues given the huge resourcing challenges in the audit market currently. In terms of audit fees, there was no change from previous discussions; the greater scope of work was the main driver for increasing the fee from the level experienced in recent years. Page No. 20 of the report set out the audit deliverables in terms of dates reports would be brought to Committee. It was noted that the audit plan for the forthcoming year would be brought to the Audit and Governance Committee in March. The representative from Grant Thornton went on to explain that the Financial Reporting Council had published its annual report setting out the findings of its review of the work of local auditors and she was pleased to advise there had been significant improvement in Grant Thornton's audit scores as shown in the tables at Page No. 21 of the report. Pages No. 23-37 of the report provided Members with various sector updates giving a summary of emerging national issues and developments which may impact on the Council, wider local government and the public sector as a whole.

33.3 In terms of the sector updates, a Member asked if there was any learning which would be useful for Tewkesbury Borough Council, particularly in relation to the National Audit Office report 'Local government and net zero in England' as referenced at Page No. 35. In response, the Head of Finance and Asset Management explained there was a whole host of material available in relation to net zero and climate change and, whilst he had not read this document specifically, he was sure it would be considered in due course and a decision would be made as to whether it needed to be reproduced, for instance, at the Climate Change and Flood Risk Management Group. The Head of Corporate Services advised it was down to individual Heads of Service to look at reports impacting their areas and disseminate information to Members in terms of what was practical for Tewkesbury Borough Council. He drew attention to Page No. 36 in relation to the National Audit Office good practice guide on cyber and information security; this was included as a risk within the corporate risk register and the Corporate Services and IT teams had undertaken a lot of work around it. The IT Manager would be giving a presentation to the Transform Working Group on the Council's cyber security arrangements and he suggested it might be something which could also be

brought to the Audit and Governance Committee as the body charged with governance to manage risks around cyber security. Members agreed this would be beneficial and should be added to the Agenda for the meeting in March.

- 33.4 With regard to Page No. 28 and the government response to the Redmond Review, a Member noted that the government had announced £15m to support Councils with additional costs in audit fees and she asked whether that was something Tewkesbury Borough Council had applied for. In response, the Head of Finance and Asset Management indicated that confirmation was awaited from the government as to the level of funding available for Tewkesbury Borough Council but he provided assurance it was intended to take advantage of whatever was available. In relation to the report at Page No. 32 and the announcement that Councils in England would have more freedom on how to spend money from homes sold through Right to Buy, the Member asked whether Tewkesbury Borough Council had any housing stock. The Head of Finance and Asset Management confirmed that the Council was entitled, following the transfer of its housing stock, to receipts from Severn Vale Housing from sales under Right to Buy until 2030; this was not a huge sum but averaged around £20-30,000 per year with the government taking a share and the rest going into capital reserves.

- 33.5 It was

RESOLVED That the external auditor's progress report be **NOTED**.

A&G.34 APPOINTMENT OF EXTERNAL AUDITOR

- 34.1 The report of the Head of Finance and Asset Management, circulated at Pages No. 38-44, set out the proposals for appointing the external auditors to the Council for the 2023/24 accounts and beyond. Members were asked to recommend to Council that the Public Sector Audit Appointments (PSAA) invitation to 'opt-in' to the sector-led national scheme for the appointment of external auditors for the five financial years commencing 1 April 2023 be accepted.
- 34.2 The Head of Finance and Asset Management advised that it was five years since Members had considered the appointment of an external auditor and there were three options available to the Council under the current framework: to appoint its own auditor; to act jointly with other authorities to procure an auditor; or to opt-in to the national auditor appointment scheme administered by a body designated by the Secretary of State as the 'appointing person' which was currently designated to PSAA. He explained that the obvious benefits of opting into a national scheme were the efficiencies in terms of the time and cost associated with making the appointment and, following the appointment, the ability to communicate effectively with the auditor in terms of the overall contract. This option had been strongly recommended when it had last been considered and subsequently approved by Council with Grant Thornton appointed as the auditor for Tewkesbury Borough Council. As such, it was recommended that the same route be followed in 2022 to ensure a successful appointment was made going forward for a five year period, as set out in the report.
- 34.3 A Member noted that the audit fee had increased to £20,100 and she asked for a summary of the extra work that was carried out by the external auditors. The Head of Finance and Asset Management explained that the depth and breadth of audit work which Grant Thornton and other bodies undertook had increased significantly over the last few years, for example, pension funds and valuations of property/estate, which was very different from when the scale fee had been agreed. The movement in fees over the last 10 years had been quite dramatic – the fee paid to the Audit Commission, as the Council's previous auditors, was in the region of £140,000 a year which was significantly more than the current scale fee of £35,000. This clearly impacted on the audit sector hence the recommendation for greater

funding in order to deliver the audit work required and give the public assurance on local authority accounts. The representative from Grant Thornton advised that Tewkesbury Borough Council's audit had previously taken around three to four weeks but this year had taken eight to nine weeks; the onus on the external auditors had increased which required additional work in terms of added scrutiny and challenge to interrogate the figures. Having gone down in recent years, it was likely the trend would now be that fees would increase again. The Head of Finance and Asset Management noted that the Audit and Governance Committee had approved the Statement of Accounts at its last meeting and Tewkesbury Borough Council had been very lucky to have the support of Grant Thornton to get the accounts agreed by September – something only 9% of local authorities had achieved due to the amount and complexity of the work which now had to be done as well as the impact of COVID-19 on working practices etc.

34.4 A Member noted that the Council was one of the 98% of eligible bodies which had opted-in to the national scheme in 2018 and this had meant the fee had stayed as low as possible so she felt it was the right thing to do. A Member asked what the likelihood was that Grant Thornton would be appointed as Tewkesbury Borough Council's external auditor going forward and the Head of Finance and Asset Management confirmed that Officers had a good working relationship with Grant Thornton which he would be delighted to continue but, at this stage, it was not known if Grant Thornton would be making a bid for local authority work; if a bid was made by Grant Thornton, there were benefits of continuity but there were also contrary arguments in favour of having a fresh set of eyes etc - ultimately, PSAA would consider what the right appointment was for the authority. Another Member asked if there was a chance to look at a joint appointment with other local authorities and was informed that joint appointments tended not to happen as only 2% of local authorities chose not to opt-in to the national scheme so there was not much opportunity for collaboration. The Head of Finance and Asset Management had spoken to the Chief Finance Officers within Gloucestershire and they were all of the opinion that they would opt-in to the PSAA led scheme on the basis of efficiencies and value for money in the long run so there would be no option to work with another authority locally. The representative from Grant Thornton advised that, in the previous round of appointments, a number of local authorities in the South West had formed a group but the nature of those authorities meant they were intrinsically linked; this was the only group she was aware of and it had not made much of an impact.

34.5 Having considered the information, it was

RESOLVED That it be **RECOMMENDED TO COUNCIL** that the Public Sector Audit Appointments (PSAA) invitation to opt-in to the sector-led national scheme for the appointment of external auditors for the five financial years commencing 1 April 2023 be accepted.

A&G.35 COUNTER FRAUD AND ENFORCEMENT UNIT UPDATE

35.1 Attention was drawn to the report of the Counter Fraud and Enforcement Unit Head of Service, circulated at Pages No. 45-50, which provided assurance over the counter fraud activities of the Council. Members were asked to consider the update on the work of the Counter Fraud and Enforcement Unit.

35.2 The Counter Fraud and Enforcement Unit Head of Service advised that the Counter Fraud Unit had recently undergone a service review and had subsequently been renamed as the Counter Fraud and Enforcement Unit which reflected the nature of the work that would be carried out going forward. Members were informed that the Unit had been supporting workstreams created as a consequence of the COVID-19 pandemic, most significantly in relation to business grants schemes. Paragraph 2.2 of the report provided the outcomes of the Cabinet Office's National Fraud Initiative

data-matching exercise. 14 matches had been made in relation to the original business support grants scheme paid during the first lockdown which were currently being reviewed and data matches for the subsequent schemes introduced by the government would start to arrive in April 2021 – this was a significant piece of work as there would be anomalies relating to national data set matching. The deadline for the review of these matches was 31 December 2022. In terms of the matches relating to single person discounts, 310 accounts had been identified as requiring further enquiries to be made with liable parties. Responses would be referred to the Revenues and Benefits team for action where required. Members were informed that work on the Council Tax Reduction Scheme was ongoing. It was noted that the Department for Work and Pensions was beginning to return to more normal working conditions within Gloucestershire and an uplift in joint cases was anticipated - reports indicated increased fraud and error within Universal Credit which would lead to a greater number of cases to review in 2022.

35.3 With regard to Page No. 47, Paragraph 2.1 of the report, a Member noted there had been seven referrals of which one was eligible, two cases of loss prevention had been referred back to the team, one ineligible claim was being pursued and three cases were under review. She sought an explanation as to what this meant and asked for further details to be provided. The Counter Fraud and Enforcement Unit Head of Service advised that it was difficult to provide details of specific cases without revealing how fraud was committed but she could circulate some general information on trends. The most common theme was false declaration, for instance, feigning that a business was being run from a unit which was vacant and unoccupied. Loss prevention would be when the Counter Fraud and Enforcement Unit had prevented money being paid incorrectly, for instance, if the business grants team had intended to pay someone a grant but the Unit had instructed that the money should not be paid following additional checks. With regard to Paragraph 2.2 of the report, the Member asked whether the aim of the data matching scheme was to reclaim money and how many people were working on that. The Counter Fraud and Enforcement Unit Head of Service explained that local authorities sent data from various services, such as Revenues and Benefits and Elections, to the Cabinet Office to see if there were any anomalies. The route that would be taken would depend on what the match related to, for example, if it was a single person discount then Council Tax penalties could be applied whereas if it was the Council Tax Reduction Scheme it would become an investigatory case for the Counter Fraud and Enforcement Unit and fines or prosecution were both options which were available in that instance. Paragraph 2.5 of the report set out that £15,283 additional Council Tax revenue had been raised as a result of the investigation of alleged fraud in relation to the Council Tax Reduction Scheme.

35.4 The Chair thanked the Counter Fraud and Enforcement Unit Head of Service for her report and it was

RESOLVED That the Counter Fraud and Enforcement Unit update be
NOTED.

A&G.36 CORPORATE RISK REGISTER

36.1 The report of the Head of Corporate Services, circulated at Pages No. 51-73, asked Members to consider the risks contained within the corporate risk register and assurance that the risks were being effectively managed.

36.2 The Head of Corporate Services indicated that little had changed in terms of strategic risks since the last report to the Committee in September but the key updates were set out at Page No. 53, Paragraph 3.1 of the report. Three areas were awaiting decisions: Ref. 1 - Financial Sustainability - the Head of Finance and Asset Management was hoping to receive confirmation of the government settlement the following day and that would be used to inform the budget and

Medium Term Financial Statement moving forward; Ref. 13 – Ashchurch Bridge Project – the outcome of the judicial review was still awaited; and Ref. 17 – Waste Transfer Station – this was due to be considered by Gloucestershire County Council's Planning Committee in January 2022.

- 36.3 With regard to Appendix 1, the Member noted there were several amber and red risks within the register and she asked what the expectation was in terms of Members when considering the report. The Head of Corporate Services explained that the Audit and Governance Committee had a responsibility to challenge that risk was being managed and improvements being made. In response, the Member noted that the lack of a five year housing land supply had not been included in the register and she perceived this to be a risk as it made the borough more vulnerable to developers winning appeals. The Head of Corporate Services undertook to raise this with Management Team which reviewed the corporate risk register on a regular basis. A Member questioned whether Development Management itself should be included as part of the risk as there were a number of vacancies and difficulties being experienced within the service currently. The Borough Solicitor confirmed that Management Team would think about the general impact of the planning service and whether it should be highlighted as a risk.
- 36.4 With regard to Ref. 3 – ICT network, a Member recognised there were huge threats to the security of the Council's systems which was reflected in the decision to create a new post within the ICT team with specific cyber responsibilities and she asked when this would be recruited to. The Head of Corporate Services advised that a Network Officer had recently left the authority and that role had been re-scoped. Management Team had recently approved the request to fill so the role would be advertised shortly. Another Member drew attention to Pages No. 70-71 of the report and Ref. 15 in relation to climate change and asked whether the appointment of the Carbon Reduction Programme Officer should be included under mitigating controls. The Head of Finance and Asset Management confirmed that an appointment had now been made and the Officer would be starting in March; there were a lot of other challenges in terms of funding and delivery but a full-time resource was a step forward so the current risk score could probably be updated and the mitigating controls amended to reflect that.
- 36.5 With regard to Ref. 13 – Ashchurch Bridge, a Member noted that the project had a time limit of March 2022 for funding drawdown but that had been formally amended and she asked for clarification as to what it would mean if the judicial review was lost, for instance, did the money have to be given back, would the Garden Town not go ahead. In response, the Borough Solicitor explained that if the judicial review was lost it meant that planning permission would be quashed and it would be for the Council to redetermine the application. The successful renegotiation of the deadline for funding drawdown showed there was a willingness from Homes England to allow the project to proceed and there had been no indication that any funds would have to be paid back. The Member drew attention to Ref. 6 – ineffective emergency planning - and raised concern that it was very focused on flooding when emergency planning covered a whole host of other things, for instance, the recent gas leak in Cheltenham – she noted that some emergency planning items, such as the pandemic, had their own headings within the risk register and she asked for some clarity on this. The Head of Community Services indicated that emergency planning was something which was done really well in Tewkesbury Borough, and Gloucestershire as a whole, as evidenced by the strong relationship with the Local Resilience Forum. Emergency planning had been included as a cover all when the risk register was established and it felt that risks were well-mitigated so this could potentially be removed with any remaining risks being picked up separately.

36.6 In relation to Ref. 17 – waste transfer station at Wingmoor Farm, a Member noted that a mitigating control was to seek to influence Gloucestershire County Council's Planning Committee and she asked if the Audit and Governance Committee was happy with that given Tewkesbury Borough Council's own Planning Committee had raised an objection to the proposal. The Borough Solicitor clarified that Tewkesbury Borough Council's Planning Committee was a consultee in respect of the Gloucestershire County Council application as the site was within Tewkesbury Borough and the Planning Committee had raised an objection on the grounds of nuisance from odour in particular; however, this did not prevent the Council, in another guise, requesting that the application be permitted for the sake of its waste service. The Head of Community Services explained that refusal of the planning application was the greatest risk to the Council at this point in terms of impact, not just in respect of the financial implications but also with regard to carbon reduction ambitions as waste vehicles would be required to travel to and from Javelin Park. The mitigation proposed, i.e. to influence Gloucestershire County Council's Planning Committee, was the only option available to the authority and, should the application be refused, Tewkesbury Borough Council would be in a very difficult position in relation to its waste service. The Member indicated that odour from Wingmoor Farm was a significant issue for local residents and she understood from discussions that more could potentially be done to address that so she asked if Officers would be willing to raise this with the County Council. The Head of Community Services clarified that the planning application was in relation to the waste transfer station, not the facilities at Wingmoor Farm, so this particular application would have no impact in terms of the environment for local residents.

36.7 Having considered the information provided, it was

RESOLVED That the risks and mitigating controls within the corporate risk register be **NOTED**.

A&G.37 ANNUAL SAFEGUARDING UPDATE

37.1 Attention was drawn to the report of the Head of Community Services, circulated at Pages No. 74-82, which provided the annual report to give assurance that Tewkesbury Borough Council was fulfilling its safeguarding duties. Members were asked to consider the report and to note the Section 11 self-assessment submission to the Assurance Panel, attached at Appendix 1 to the report.

37.2 The Head of Community Services advised that the Section 11 process was a statutory requirement and an integral part of the self-assessment which focused on four areas: leadership and accountability; staff safe recruitment, induction, training and development; safeguarding policies and procedures; and listening to children and young people. He had attended the Assurance Panel on 16 November 2021 where he had been questioned in relation to the content of Tewkesbury Borough Council's submission and was pleased to report that no issues had been identified. He drew attention to Page No. 76, Paragraph 4 of the report which set out that 14 safeguarding cases had been raised internally during the year 1 April 2020-31 March 2021 of which two needed to be referred to social care, two had been dealt with in partnership with the neighbourhood policing team, two multi-agency meetings had been called by the Council in light of the concerns raised and four cases had become ongoing child protection cases which had been attended by a member of staff to advise from Tewkesbury Borough Council's perspective. The 14 cases raised came from a good cross-section of Council departments which demonstrated that Officers had a good understanding of their safeguarding responsibilities.

37.3 A Member recognised that a lot of the areas covered by the Section 11 self-assessment were outside of the remit of the Borough Council but he was pleased to note that cases were being referred by Officers when safeguarding concerns came to light. He indicated that he would like to see the information that had been sent to the Assurance Panel if possible and, in response, the Head of Community Services confirmed that was as set out at Appendix 1 to the report; whilst the Local Safeguarding Partnership did not discuss individual cases, he was able to gain insight and an overall feeling for how things were going and he would be happy to have a conversation with the Member outside of the meeting if he had any specific questions. Another Member expressed the view that it would be useful to have an idea of the safeguarding issues that had been raised and the sort of things that came up in general terms. The Head of Community Services expressed concern that, due to the small number of people involved, any detail could make them easily identifiable; nevertheless, he would discuss this further with Management Team to see if it was possible to provide some general case studies setting out how the matter had come to light and what the outcome was etc. A Member expressed the view that this was important from a learning point of view as it could help to identify warning signs.

37.4 It was

RESOLVED That the annual safeguarding update and the Section 11 self-assessment submission to the Assurance Panel, attached at Appendix 1 to the report, be **NOTED**.

A&G.38 DISCRETIONARY HOUSING PAYMENTS FOLLOW-UP

38.1 The report of the Head of Corporate Services, circulated at Pages No. 83-87, provided Members with an update on the progress made against implementation of the audit recommendations in relation to Discretionary Housing Payments. Members were asked to consider the report.

38.2 The Revenues and Benefits Manager advised that Discretionary Housing Payments provided financial help with housing costs for residents in receipt of housing benefit or the housing element of Universal Credit. She had requested that the Internal Audit team look at Discretionary Housing Payments to ensure they were being awarded consistently and only to those who had demonstrated a real need. The audit had been undertaken in February 2020 and resulted in an unsatisfactory audit opinion and a set of recommended actions. Unfortunately, due to the COVID-19 pandemic and the impact on the Revenues and Benefits team, not as much progress had been made as she would have liked since that time. Notwithstanding this, Page No. 85, Paragraph 2.1 of the report set out that recommendation 1 – development of a checklist to support the collection and assessment of Discretionary Housing Payments information and recommendation 2 – review the inclusion of non-essential items as part of the scheduled review of the Discretionary Housing Payments Policy had both been fully completed to the satisfaction of the Internal Audit team and the revised policy was due to be considered by the Executive Committee in February 2022. With regard to recommendation 3 – consideration to be given to the introduction of performance reporting in respect of Discretionary Housing Payments, although initial discussions had taken place with the Lead Member for Finance and Asset Management, a suite of performance indicators were yet to be agreed. Due to the impact of COVID-19 and capacity within the team, recommendation 4 – carry out an independent verification check on a sample of Discretionary Housing Payments, was still in progress. As set out at Paragraph 3.2 of the report, a revised implementation date of April 2022 had been agreed for the two outstanding actions.

38.3 A Member noted that the Executive Committee had agreed to top-up the Discretionary Housing Payments budget with an additional £40,000 of Council reserves in January 2020 and he asked whether there were plans to request more funds. The Revenues and Benefits Manager explained that had been a particular request to fund additional Discretionary Housing Payments from the Council's own resources and it had not been necessary to make any further requests since that time. The Council's annual allocation was £78,000, of which approximately £17,000 had been spent to date; this was partly due to the implementation of the audit recommendations which meant that the payments were not as generous as they may have been in the past. The Department for Work and Pensions would reassess the budget at the end of the financial year and, whilst it would hopefully still be a good amount, there was a risk that it would be significantly reduced based on the lower expenditure. With regard to recommendation 2 and the re-assessment of non-essential items, a Member noted that some of the examples given, for instance, newspapers and magazines, were quite outdated and he asked whether television subscriptions, such as Netflix, would fall under that definition. In response, the Revenues and Benefits Manger explained this was something which needed to be teased out in the revised policy as what was discretionary to some was essential to others and it could be tricky to navigate when it came to items which affected access such as mobile telephone and internet contracts. The current policy took a broad stance whereby each case was assessed on its own merits so there were elements of subjectivity within that. The Member raised concern that this was putting Officers in a difficult position and he felt it would be beneficial to have clear guidance on what would be considered essential. The Revenues and Benefits Manager indicated that it would be helpful to have a Member steer on this when the policy came forward.

38.4 It was

RESOLVED That the progress made against implementation of the audit recommendations in relation to Discretionary Housing Payments be **NOTED**.

A&G.39 STATUS OF INTERNAL AUDIT RECOMMENDATIONS

39.1 The report of the Head of Corporate Services, circulated at Pages No. 88-109, provided Members with an update on the status of internal audit recommendations that had been agreed pre-pandemic. Members were asked to consider the report.

39.2 The Head of Corporate Services explained that one member of the Internal Audit team had now returned to an internal audit role following redeployment to support the Council's response to COVID-19 and their first task was to assess the internal audit recommendations to establish whether they had been implemented to ensure it was clear what needed to be followed-up moving forward. A summary was included at Appendix 1 to the report and set out that 16 recommendations had been implemented, 29 were in progress or yet to be implemented and 10 had been mitigated. Revised target dates had been agreed with services in relation to all outstanding audit recommendations and those which had been implemented would be followed-up on a quarterly basis as part of the Internal Audit Monitoring Report. It was noted that the national picture with regard to the pandemic was changing again so it was possible the Council would need to move back to response mode which may mean the target dates were not achieved; if that was the case, the Committee could request that Officers attend a future meeting to give a more detailed explanation.

39.3 A Member raised concern that the audit in relation to the Community Infrastructure Levy had identified that governance for administration and spending of income should be agreed as a matter of urgency and the expected implementation date had changed from September 2020 to March 2023 which was a significant leap so she asked if there was any way it could be brought forward. In response, the Head of Corporate Services indicated that he had spoken with the Head of Development Services who had agreed the revised target date; notwithstanding this, he believed there was an action around this in the Annual Governance Statement so he would look into this following the meeting.

39.4 It was

RESOLVED That the status of the internal audit recommendations be **NOTED**.

A&G.40 DATA PROTECTION OFFICER ANNUAL REPORT

40.1 The report of the Head of Corporate Services, circulated at Pages No. 110-120, provided Members with an annual report on the actions undertaken during the year to ensue broad compliance with the General Data Protection Regulation (GDPR). Members were asked to consider the report and the action plan, attached at Appendix 1.

40.2 Members were informed that the Internal Audit and GDPR Officer was responsible for overseeing compliance with the GDPR framework. Page No. 112, Paragraph 2.1 of the report gave a summary of the key actions that had been undertaken during the year which included a lot of work around staff communications, particularly in terms of preventing and reporting data breaches - it was noted there had been 20 recorded breaches during the year of which 19 were categorised as low risk and one as medium risk. In addition, an e-learning platform had been rolled out to staff and would be extended to Members in the New Year and staff had received training on the importance of retention and redaction of information. A lot of support had been required for new and emerging projects that needed a Data Protection Impact Assessment, for example, COVID-19 grant support schemes, digital recruitment, High Street Heritage Action Zone, HR self-service, Land Registry migration, new digital platform and paperless billing. The Business Transformation team had developed a management system for logging and responding to data requests, including Subject Access Requests which allowed residents to request a copy of the personal information the Council held about them and check that it was being lawfully processed – data requests had been increasing in number with 64 received over the last year. Page No. 113, Paragraph 3.1 of the report outlined the key actions moving forward which would be supporting the implementation of the new website project; implementation of an information classification project; undertaking a review of key policies such as the overarching Data Protection Policy and providing support to ICT related policies e.g. cyber security; and, for the internal audit team to assess whether lessons learnt with regard to breaches were implemented and test that data was being retained in accordance with the corporate retention policy.

40.3 The Borough Solicitor explained that ensuring compliance with data protection requirements was a continuous process and having a single point of contact through the Internal Audit and GDPR Officer had been invaluable in securing and monitoring the Council's development and compliance. Tewkesbury Borough Council's record of breaches was low and none had been categorised as high risk but it was important to ensure that the arrangements were kept under review and

that the action plan was delivered in order to ensure continued compliance. In her view the action plan was robust and she was confident that the Council was doing the very best it could.

40.4 A Member recognised the importance of complying with GDPR; however, it could be quite a hinderance and she noted that Page No. 116 of the action plan included an initiative to introduce time limits on inboxes – she asked whether this would also apply to Members as this could be a problem in terms of case work which took a long time to resolve. In response, the Borough Solicitor indicated that it was a careful balancing act between retaining data in order to give the best responses possible whilst also protecting people’s data. It may seem counterintuitive to delete emails which may be needed in the future but preventing a potential data breach far outweighed the inconvenience of having to request that information again as and when it was needed.

40.5 It was

RESOLVED

That the annual report on the actions undertaken during the year to ensure broad compliance with the General Data Protection Regulation, and the action plan attached at Appendix 1 to the report to further improve the Council’s arrangements, be **NOTED.**

The meeting closed at 3:18 pm

AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

Additions to 23 March 2022

- CIPFA Financial Management Code
- External Auditor's Annual Report

Deletions from 23 March 2022

- Cyber Security presentation (agreed at the meeting on 15 December 2021) – this is now being provided to all Members.
- External Auditor's Progress Report – Not needed as the External Auditor's Annual Report is being presented at this meeting.
- External Auditor's Audit Plan 2021/22
- Annual Report on Health and Safety Activities – Deferred to 20 July 2022 to bring it in line with the annual reporting timeframe and provide a full 12 month update.
- Local Authority Serious and Organised Crime Checklist – Deferred to 20 July 2022 as checklist to be relooked at in consultation with Counter Fraud and Enforcement Unit

Committee Date: 20 July 2022

Agenda Item	Overview of Agenda Item	Lead Officer	Has agenda item previously been deferred? Details and date of deferment required
External Auditor's Audit Plan 2021/22	To consider the external auditor's Audit Plan 2021/22.	External Auditors.	No.
External Auditor's – Informing the Risk Assessment	To consider.	External Auditors.	No.
Local Authority Serious and Organised Crime Checklist	To consider progress made against the action plan.	Head of Finance and Asset Management / Counter Fraud.	Yes – deferred from 24 March 2022.
Audit Fee 2022/23	To consider the audit scale fee for 2022/23.	Head of Finance and Asset Management.	No.
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.

NB – Changes from previous work programme highlighted in bold

Committee Date: 20 July 2022

Agenda Item	Overview of Agenda Item	Lead Officer	Has agenda item previously been deferred? Details and date of deferment required
Internal Audit Plan Monitoring Report	To consider the Internal Audit work undertaken and the assurance given on the adequacy of internal controls operating in the systems audited.	Head of Corporate Services.	No.
Internal Audit Annual Report 2021/22	To consider the Internal Audit Annual Report 2020/21 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.
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 2021/22	To approve the Audit and Governance Committee Annual Report 2021/22.	Head of Corporate Services.	No.

Committee Date: 28 September 2022

Agenda Item	Overview of Agenda Item	Lead Officer	Has agenda item previously been deferred? Details and date of deferment required
External Auditor's Findings	To consider the external auditor's findings 2021/22.	External Auditors.	No.
Internal Audit Six Month Plan 2022/23	To approve the Internal Audit Six Month Plan 2022/23 (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 risks contained within the Corporate Risk Register and assurance that the risks are being effectively managed.	Head of Corporate Services.	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 2021.	Head of Finance and Asset Management.	No.
Statement of Accounts 2021/22	To approve the Statement of Accounts 2021/22.	Head of Finance and Asset Management.	No.
Annual Governance Statement 2021/22	To approve the Annual Governance Statement 2021/22.	Borough Solicitor.	No.

Committee Date: 23 November 2022			
Agenda Item	Overview of Agenda Item	Lead Officer	Has agenda item previously been deferred? Details and date of deferment required
External Auditor's Annual Report	To consider the external auditor's annual report.	External Auditors	No.
External Auditor's Progress Report	To consider the external auditors' report on progress against planned outputs.	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 risks contained within the Corporate Risk Register and assurance that the risks are being effectively managed.	Head of Corporate Services.	No.
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.

Committee Date: 23 November 2022

Agenda Item	Overview of Agenda Item	Lead Officer	Has agenda item previously been deferred? Details and date of deferment required
Annual Report on the Council's Arrangements for General Data Protection Regulation (GDPR)	To receive the annual report on the adequacy of the Council's GDPR arrangements.	Borough Solicitor	No.

Committee Date: 22 March 2023

Agenda Item	Overview of Agenda Item	Lead Officer	Has agenda item previously been deferred? Details and date of deferment required
Local Authority Serious and Organised Crime Checklist	To consider progress made against the action plan.	Head of Finance and Asset Management / Counter Fraud.	No.
External Auditor's Annual Report	To consider the external auditor's annual report.	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 2022/23	To consider the external auditors' Audit Plan 2022/23.	External Auditors.	No.
Statement of Accounting Policies	To approve the accounting policies to be used during the preparation of the 2022/23 financial statements.	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 2022/23	To approve the Internal Audit Six Month Plan 2022/23 (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: 22 March 2023			
Agenda Item	Overview of Agenda Item	Lead Officer	Has agenda item previously been deferred? Details and date of deferment required
Corporate Risk Register	To consider the risks contained within the Corporate Risk Register and assurance that the risks are being effectively managed.	Head of Corporate Services.	No.
Annual Report on Health and Safety Activities	To consider the adequacy of the Council's health and safety arrangements.	Head of Community Services.	No. Moved to July 2023 to bring it in line with the annual reporting timeframe and provide a full 12 month update.
Internal Audit Quality Assurance and Improvement Programme	To consider the annual update on the Internal Audit Quality Assurance and Improvement Programme.	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

Auditor's Annual Report on Tewkesbury Borough Council

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2020-21

March 2022

Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified risks in respect of:

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



Financial sustainability

The Council is operating in an increasingly uncertain financial environment. For the second successive year, the Comprehensive Spending Review was a single year spending review. Tewkesbury, as with all local authorities, will need to continue to plan with little certainty over funding in the medium term.

Despite this uncertainty, and the challenges posed by COVID-19, the Council has maintained a good financial position, with a surplus in 2020-21 and £36.538m of useable reserves as at 31 March 2021.

This places the Council in a strong financial position moving into an uncertain period. The Council's medium term financial planning is also deemed to be prudent, robust and based on the most appropriate available information.

Our work has not identified any significant weaknesses in arrangements to secure financial sustainability at the Council and we are satisfied that it had appropriate arrangements in place to manage financial risks, set budgets and agree medium term financial plans.

Further details can be seen on pages 10 to 17 of this report.



Governance

Our work this year has focussed on developing a detailed understanding of the governance arrangements in place at the Council and the changes instigated as a response to the pandemic.

Our work has identified one significant weaknesses in governance arrangements as a result of the redeployment of the Internal Audit team. While the redeployment of the team was to undertake vital Covid-19 grant payment work, the redeployment left the Council unable to fulfil any assurance work for its 2020-21 internal audit programme to provide sufficient assurance of the Council's system of internal controls, resulting in the Head of Internal Audit providing a limitation of scope opinion. Our review of the Council's process to approve the team's redeployment, highlighted that there was no options appraisal completed and the potential consequences of not fulfilling the programme were not reported to members.

Further details can be seen on pages 18 to 22 of this report.

Criteria	Risk assessment	Conclusion
Financial sustainability	Risk of significant weakness identified relating to securing financial sustainability into the medium term.	No significant weaknesses in arrangements identified, but four improvement recommendations made.
Governance	Risk of significant weakness identified in relation to limitation of scope opinion issued by Internal Audit.	One Key recommendation made in relation to a significant weakness identified around the delivery of the 2020-21 internal audit work programme. We have also made two improvement recommendations.
Improving economy, efficiency and effectiveness	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but two improvement recommendation made.

Executive summary



Improving economy, efficiency and effectiveness

The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources.

Our work has not identified any significant weaknesses in arrangements or in relation to delivering economy efficiency and effectiveness.

We have identified two areas for improvement, to benchmark key indicators against other local authorities, to enable the Council to maximise the opportunities for improvement of its own performance. In addition, we have highlighted that the Council should make arrangements to review and update its procurement policy.

Further details can be seen on pages 23 to 26 of this report.

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Opinion on the financial statements

We gave an unqualified opinion on the financial statements on 02 November 2021, with our detailed findings reported to the Audit & Governance Committee on the 15 September 2021.

Further information in relation to the opinion on the financial statements is included on page 28 of this report.



Key recommendations



Recommendation 1

We recommend that the Council supports its Head of Internal Audit to plan to obtain sufficient assurance to support the annual Head of Internal Audit opinion for 2021/22, taking into account both internal audit work and other sources of assurance and being clearly risk based.

Particular attention should be given to implementing and embedding outstanding Internal Audit recommendations which have arisen from previous risks identified.

The Head of Internal Audit, the leadership team and the audit committee should review and discuss internal audit capacity where there are concerns and develop an action plan to mitigate the risk.

Where the Head of Internal Audit considers that a limitation of scope is likely for 2021/22, the leadership team and audit committee should be advised promptly, along with likely consequences and any remedial action required to avoid a limitation of scope.

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Why/impact

During 2020-21 the Council's internal audit function was redeployed to their coronavirus business cell to support the payment of covid-19 grants to businesses and individuals. As a result of this, no internal audit work was undertaken during 2020-21 and the Head of Internal Audit Opinion was therefore a limitation of scope.

Auditor judgement

While the Council completed management assurance statements and these provide some comfort that the council's internal control system is operating as it should, the lack of independent verification is deemed to be a significant weakness. The Council has recognised this weakness in its Annual Governance Statement.

Summary findings

As a result of the lack of internal audit work, the heads of department all provided management assurance statements to support the effective operation of internal controls. These assurance statements were however not completed in year, and were not presented to the Audit & Governance Committee until September 2021. While these assurance statements provide some comfort that the Council's internal control system is operating as it should, the lack of independent verification is deemed to be a significant weakness. We also identified that the Council has a number of internal audit recommendations from previous periods that have not been actioned, and as a result, have recommended that these are reviewed with a view to implementing actions as soon as possible.

Management Comments

See pages 6 to 8

The range of recommendations that external auditors can make is explained in Appendix C.



Key recommendations

Management Comments



Tewkesbury Borough Council is a small rural authority with a very limited level of staffing in comparison to most other authorities. Despite this, the Council has a can do attitude that results in high levels of output and achievement as evidenced in successive peer reviews. As a result, when the call came from Government to support the business sector with a series of new business grant schemes we were ready to take on the task.

The instruction from Government was clear – this was to be the priority and grants needed to be paid as soon as possible. We therefore needed to act quickly and form a Business Cell comprised of individuals with the right skills, experience and personal qualities to drive this agenda forward at pace. As a result, members of staff were drawn from areas such as Revenues & Benefits, Finance, Customer Services and Internal Audit to deliver the initial and subsequent schemes.

In drawing these individuals together, as well as others for different cells that supported the Council's covid response, senior officers and members were well aware of the potential impact on the core services and council plan ambitions of the council. Whilst all front line services were kept running, there was an inevitable impact on support services and non-essential project delivery.

In coming to the decision on the redeployment of Internal Audit staff, we took into account several factors. The first is the historic track record of our internal audit reports in key areas. The positive outcomes presented in these reports over a number of years gave us assurance that the control framework was in a good place and a temporary suspension of the audit plan could be managed.

The second factor was based on risk and the deployment of Internal Audit staff to review, report on and deal with the risk presented to the Council. With nearly £18m paid out in business grants in the first few months of operation, the business grant scheme was by far the largest area of financial risk facing the council, particularly with warnings that the council could be financially liable for payments made in error or as a result of fraud. In addition to the amount of cash being paid out, the speed of grant payments having designed schemes from scratch and the scope for fraudulent behaviour within schemes of this nature meant that the work of the business cell was the riskiest area of council activity in 2020/21 and the deployment of Internal Audit personnel to design, administer and monitor schemes as well as taking any necessary corrective action was seen to be a benefit to the council. In effect this can be seen as reconfiguration of the risk based audit plan in 2020/21. As a result of the use of Internal Audit staff to support the business grant scheme we are now seeing high levels of compliance and low levels of fraud over the £31m of Business grants paid out.

Clearly with the ongoing nature of the covid pandemic, and therefore the need to make further grant payments throughout the Winter of 2020/21, as well as the post assurance payment checks that are required as part of the scheme, the deployment of Internal Audit personnel has been for a longer period than originally anticipated. As a result, the Chief Audit Executive in consultation with the Chief Finance Officer has decided to take a longer term approach to the construction of the internal audit plan. Instead of the normal annual audit plan with six monthly reviews, we have been forced to initially look at the plan over a two year period and now a three year period.

The range of recommendations that external auditors can make is explained in Appendix C.



Key recommendations

Management Comments



The deployment of Internal Audit staff to the business cell is seen as effectively delivering a number of audit days whilst in redeployment. Given that this could not be argued to reach the number of normal audit days or cover other risk based audit areas, the three year view point enables a smaller number of days to be delivered in the first year with increasing days being delivered in years two and three so as to meet plan requirements over the longer time frame. To support the increased need in the latter part of the plan, the council has so far approved funding for 40 additional days specifically for IT audit work and an additional 1 fte to support general audit work. In addition, further investment of an additional 1fte, provided from new burdens funding for the latest business grant schemes, will be directed to increase the available audit days even further in 2022/23. The additional funding more than doubles the resourcing level available in 2022/23 and consideration will be given to further support to Internal Audit in 2023/24 if required to ensure the service is recovered fully.

Whilst taking a longer approach to the audit plan is not something that the Council would wish to do on a regular basis, the overwhelming need created by the emergency made it a necessary approach. Extending time frames in recognition of the impact of covid is now a regular feature of a whole host of issues from government, down to external audit and in our own project delivery.

Whilst we believe that the redeployment of Internal Audit and the longer term view of the audit plan can be justified in its own right, this does not mean that the control environment was neglected. Indeed, the impact of the pandemic and the overnight change of working practices meant that all managers needed to amend processes and procedures to ensure that remote working or redeployment did not compromise the existing control environment. This is especially the case with regards to the financial control environment where the finance team moved swiftly to ensure appropriate controls were revised to reflect the new operating conditions. Continual review and monitoring then followed to ensure there was no deterioration in the control environment despite the impact of the emergency.

Although significant resources were engaged in covid related activities in 2020/21, the Council still ensured that all elements, with the exception of Internal Audit work, of the ongoing programme to evaluate risk management, control and governance processes continued. This included:

- Quarterly risk register review and reporting
- Identification of new or increased risk and the necessary mitigation including cyber and emergency planning
- Reviews and reporting in a number of areas including safeguarding, health and safety and complaints
- Completion of service reviews including trade waste, bulky waste and senior management structure
- Initiation of a full service review in Development Management
- Quarterly performance reporting
- Work programme of the Counter Fraud Unit including policy updates for:
 - The use of the Internet and Social Media in Investigations and Enforcement Policy
 - the Proceeds of Crime and Anti-Money Laundering Policy
 - the Regulation of Investigatory Powers Act 2000 Surveillance and Covert Human Intelligence Source Policy
 - the Investigatory Powers Act 2016 Acquisition of Communications Data Policy
- Local Authority Serious and Organised Crime Checklist review of progress
- Monitoring and delivery of actions against the significant governance issues identified in 2020
- Annual governance report
- Identification of significant governance issues for 2021 report
- Meetings of the Corporate Governance Group

The range of recommendations that external auditors can make is explained in Appendix C.



Key recommendations

Management Comments



In addition to this and given the limitation of scope regarding independent assurance from internal audit, the Corporate Governance Group requested Heads of Service to conduct a review of their service operation in 2020/21 with a focus on the key elements of the Council's governance and internal control framework. Each review was subsequently checked by the Corporate Governance Group which includes the Chief Financial Officer, the Monitoring Officer, the Chief Audit Executive and the Head of Counter Fraud, and found, in their opinion to fairly reflect the position for each area. These management assurance statements were presented to Audit & Governance Committee in September 2021.

The final point we would make is in reference to the recently concluded Statement of Accounts audit. Whilst this clearly isn't an internal, independent review conducted during the year, the outcome of the audit, with only a couple of minor issues and an unqualified opinion gives management confidence that the decisions made around the control environment in 2020 did not have a negative impact. In addition, the speed in which we were able to prepare the Statement and supporting documents and subject them to external audit review was only possible because of the control environment that operated during 2020/21. If there has been a breakdown in this environment, it is highly unlikely that the Statement of Accounts could have been produced in such a quick time and to the standard that was again achieved.

The council could have opted to contract its internal audit arrangements during this period but did not consider it appropriate for two reasons. The first is our experience of the contract market in which we have found there to be a general poor quality of auditors resulting in a poor quality of audits conducted and reported. The second reason is that an audit requires two way interaction for it to be successful which therefore means there needs to be both an auditor available but also the service. Given the small size of the Council, the vast majority of services were involved in covid response during 2020/21 and would not have had time to support or respond to an audit being undertaken. To divert officers to respond to audits would have undermined the Council's response to the pandemic. It was therefore felt that a long term approach to the delivery of the audit plan was preferable and in the Council's best interests rather than the temporary appointment of contractors.

In conclusion, management feel that the redeployment of the Internal Audit team was a necessity and the approach adopted to invest in additional capacity to restore the audit function over the long term was appropriate. We have confidence that by the end of the 2022/23 audit plan the backlog of follow up audits and planned audits will be completed and full independent assurance will be offered to those charged with governance.

The range of recommendations that external auditors can make is explained in Appendix C.



Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 7 to 24. Further detail on how we approached our work is included in Appendix B.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

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Outturn 2020-21

The 2020-21 general fund outturn position for direct service expenditure was £1.7m.

The surplus in year was primarily due to a number of factors, including:

- Staff costs underspend as a result of a number of vacant positions;
- Reduced transport costs as a result of national lockdowns; and
- £1.069m of covid-19 costs offset by £2.18m of grant funding to relieve spending pressures.

Capital expenditure was under budget by £1.9m, primarily due to delays caused by covid-19. This spend has rolled into 2021-22.

Covid-19 arrangements

The pandemic posed a significant challenge on the Council's finances, resulting in additional cost pressures, as detailed above. The Council appropriately reviewed and revised financial plans and budgets after the outset of the pandemic and introduced a new reporting line within outturn reports to enable members to track covid related costs.

Budgeting

The 2020-21 budget was based on funding announced in the local government finance settlement. This saw a small increase the Council's funding assessment at current levels but introduced additional funding to support council's during the pandemic. The 2020-21 budget was approved by full council in February 2020 and updated in September 2020 as a result of the pandemic.

Our work identified that the budget and Medium Term Financial Plan are clearly linked, and the Section 151 officer

appropriately discharged his responsibilities under S 25 of the Local government Act 2003, clearly reporting:

- The robustness of estimates; and
- The adequacy of reserves.

Reserves

The Council's reserve position as at 31 March 2021 is strong, with earmarked reserved being greater than the majority of other districts in England.

In the 2021-22 budget, the council plans to use £431k of reserves to balance it's budget. Management have confirmed that despite their need to use the reserve, the Council also has a plan to replenish in 2022-23. They anticipate a windfall from the business rates pool in Q2 of 22/33 and will also have a collection fund surplus on business rates in 22/33 which will further support their reserves. This demonstrates a commitment by management to ensure reserves are built to safeguard against financial risk.

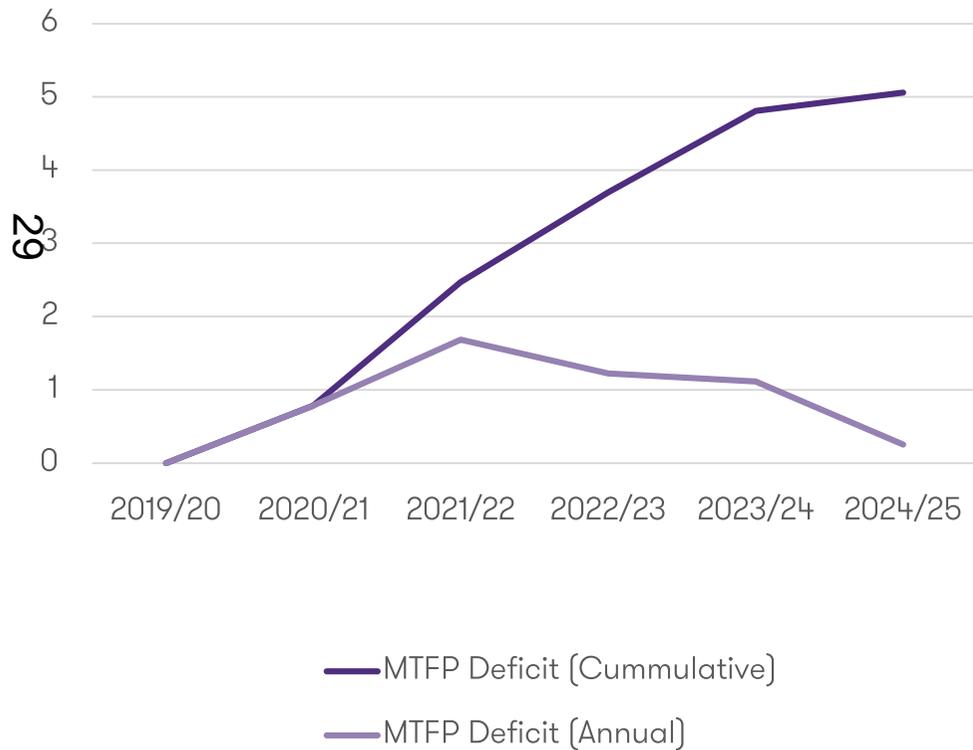
Consistency between financial and other plans

The Council's annual budget setting process has regard for other Council priorities, such as the recently declared Climate Change Emergency, as well as other council priorities as set out in the Council Plan. These priorities are also reflected in the MTFP. There were no significant inconsistencies noted between the Council's financial planning documents (such as outturn reports) and the final audited statement of accounts. Capital and treasury management reporting is built into the Council's overall financial plans ensuring that the areas are linked and consistent across the various reports.

Workforce plans also take account of personnel budgets, linking them to financial plans.

We did not identify any evidence of individual plans being developed in silo, or of significant conflicting priorities between the council's various plans.

Medium Term Financial Projection



Medium Term Financial Plan (MTFP)

The MTFP is an annually updated plan that is connected to the Council’s draft budget. Once drafted it is presented to the Council Executive annually. As part of the annual review process, budget amendments are entered, assumptions are interrogated and amended where required and any agreed savings plans are built in.

The Council’s MTFP runs for 5 years to 2024-25 and over the life of the MTFP there is an estimated budget gap of over £5m.

In our preliminary assessment we identified that, given the significant budget gap, there was a risk of significant weakness in the Council’s arrangements for ensuring the robustness of the medium term financial plan. We have reviewed the council’s assumptions over income, expenditure and savings plans and have not identified any significant weaknesses in arrangements. The assumptions used by the Council are realistic and based on the most appropriate available data. They are prudent, taking into account government decisions, such as the amendment then removal of the New Home Bonus scheme. We have identified one improvement recommendation that the Council should consider including any known or estimated rental period voids in its MTFP calculations to more accurately predict future income. More detail is included at recommendation 2 on page 14.

As part of our review we also considered the Council’s arrangements for forecasting cash flows. We identified that at the time of our review (December 2021,) the Council had only forecast cashflows to March 2022. While the council has a large number of liquid assets it could call upon at relatively short notice, we consider it best practice to project cashflows over a longer period than 4 months, and therefore have raised an improvement recommendation in relation to this. More detail is included at recommendation 3 on page 15.

From our review of the budget documentation, the Council could more clearly demonstrate its understanding of the costs of delivering core statutory services as distinct from discretionary areas of spend in the financial planning reports which underlie the budget and MTFP. This would help stakeholders to distinguish between the different types of Council’s spending in order to understand which elements relate to statutory obligations and which relate to discretionary council decisions. We have therefore raised an improvement recommendation in relation to this. More detail is included at recommendation 4 on page 16

Managing Financial Risk

The Council has incorporated uncertainty into its planning and based the MFTS on a mid-range scenario, having modelling three different scenarios of additional growth pressures. Based on this, the funding gap is estimated was estimated at £5.059m in the MTFP for 2021/22.

Some of this will be managed by planned savings and some by the council's MFTS reserve which stands at £2.781m at the 31 March 2021.

The Council's processes for incorporating risks into its annual budgets are also appropriate. As part of the 2021-22 budget setting process, the section 25 statement provided a clear and detailed commentary on the assumptions and risks relevant to the budget. While the 2021-22 budget plans to use £431k of reserves to balance, management have confirmed they have a plan to return that balance to reserves, evidencing their commitment to ensuring reserve positions are healthy to support the management of financial risk.

Generally, we find the Council to be well managed and there is a high level of understanding of its budgetary position, budgetary pressures and any savings required. There is an established process by which the budget is reviewed regularly, and issues are reported on a timely basis to those charged with governance.



Reserves £'000	2018/19	2019/20	2020/21
Useable Reserves	15,934	18,712	36,538
MTFS Equalisation Reserve	0	0	2,781
Risk Management Reserve	10	10	260
General Fund	800	800	800

Net Commercial Property Income

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Net income	2,196	2,315	2,979	3,210	3,384	3,402	3,481

Commercial Investment

In accordance with the Council's Commercial Strategy, over recent years, they have actively invested in commercial properties in order to secure revenue income to support its budgetary pressures. The Council keeps a detailed record of each investment property, the yield they are receiving on an annual basis and any appreciation or depreciation of the value of the asset. This supports the tracking of investments to ensure they are generating the required returns. This analysis is also split by geography, and sector to support the review of any potential trends in the industry. While the detailed record helps the council to keep track of investments, as disclosed on page 10, we identified that there are no void periods or lease breaks built into financial models and raised a recommendation that the council consider actioning this.

The Council helps to mitigate the risk with commercial investments through its reserves. At present, there are a number of reserves that could be called upon to fund gaps in income, or required repairs, including a reserve specifically for lease events. In line with its statutory responsibilities, the council has provided prudently for the repayment of debts. The council uses the annuity method, matching its debts to the life of the asset, but in order to be prudent is setting aside an amount based on a shorter useful life (i.e. paying more annually).

Savings Plans

Our review of the council's medium term financial planning (MTFP) identified that there is only one formal savings plan in place. The council voted not to replace the outgoing Deputy CEO position, and to share the responsibilities of that post amongst the Heads of Service, leading to an annual saving being built into the MTFP. Aside from that there are no further formally agreed savings plans in place, and we have therefore raised an improvement recommendation in relation to this. For more details see recommendation 5 on page 17.

Despite there not being any formalised savings plans, the Council does have plans to bridge the deficit gap. Over £5m of savings are included in the council's MTFP summary and further ideas are included in the council's detailed MTFP workings which could increase the savings to over £7.5m over the life of the MTFP. While these are a useful starting point for the Council, it will be vital to formalise these savings plans, obtain agreement from full Council and put in place a plan to track the delivery of savings to ensure that the council is able to remain financially stable into the medium term.

Improvement recommendations



Financial sustainability

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Recommendation 2

We recommend that the Council looks to include the void periods for rental properties and lease termination estimates within the investment property income section of the Medium Term Financial Plan. This will help the council to better plan for periods they do not expect to receive income.

Why/impact

Our review of the MTFP identified that the Council has a stable estimate for commercial income included for the life of the plan. While they have not increased the income, there are no reductions due to voids being considered. There is a risk that the council will be unprepared for reduced income if the MTFP does not build in rental reductions.

Auditor judgement

We recommend that a detailed schedule is set up to track the Council's rental income, any break clauses, with an estimate for void periods and reduced rents as a result of negotiations. The amounts in this schedule should then flow to the council's MTFP.

Summary findings

Our review of the MTFP identified that the Council has a stable level of commercial income included for the life of the plan. While they have not increased the income, there are no reductions due to voids being considered. While we appreciate that the Council plans to manage the risk through reserves, there is a risk that the council will be unprepared for reduced income if the MTFP does not build in rental reductions.

Management comment

The Council's strategy for management of the commercial property portfolio included the annual set aside of income to support future lease events such as void periods as well as building maintenance and investment requirements. This strategy was introduced so as to avoid a yo-yo effect in terms of income generated which would make financial planning more difficult. The commercial property reserve is to be called upon to support the base budget when there are voids in tenancies or when inducements for new tenants are active.

Given this strategy and the availability of a reserve of over £1m as at March 2022 to enable the delivery of this strategy, it is not considered appropriate to factor in short term reductions in income within the MTFS when they are known to be covered by the existing reserve. Should those short term voids become longer term, as is the case with the office units at the Council Offices, the reassessment of income streams will be factored into both the budget and MTFS.

Whilst it is not considered necessary to factor in potential reductions into the MTFS projection, we accept that communication to stakeholders of the risk could be improved and therefore we propose to specifically set out in both the MTFS report and the budget report the upcoming lease events such as break clauses and lease termination dates alongside the financial impact.

It should however be noted that our asset management team have built good relationships with tenants and are aware of tenant intentions. In addition, most leases require six months formal notice of intention to break or terminate which provides time to source and secure new tenants.

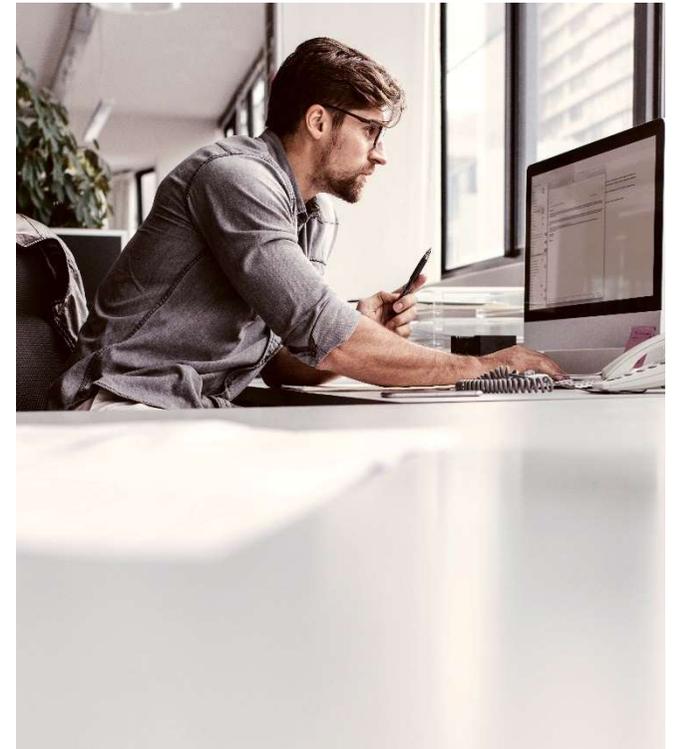
The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Financial Sustainability

Recommendation 3	We recommend that the Council starts to forecast its cashflows for a longer period than just one year.
Why/impact	Without medium term cash flow projections, the Council will not be aware of any financial pinch points and may end up unable to liquidate assets in time to ensure liquidity.
Auditor judgement	In our review of the Council's cash flow forecasting arrangements, we identified that the current cashflow only ran for four months to the end of March 2022.
33	Summary findings
	At the time of our review (December 2020) the Council's current cashflow forecast ran to the end of March 2022, covering a period of four months. While this is sufficient for short term planning, it does not support medium term cash flow planning and we therefore recommend that the Council looks to increase its cashflow forecasting period.
Management comment	The Council will look to move from the current annual assessment of cash flow in March to a rolling 12 month appraisal of cash flow which will support medium term financial planning. The current operating environment where many inputs are unknown as a result of the failure to reform local government financing and the current volatility in pricing means that accurate and solid cash flow forecasting over a longer term is difficult to achieve and cannot be relied upon.
	It should be remembered that should the council run into cash flow difficulties it always holds investments which are callable and has the ability to borrow instantly for cash flow purposes therefore mitigating some of the risk associated with cashflow difficulties.



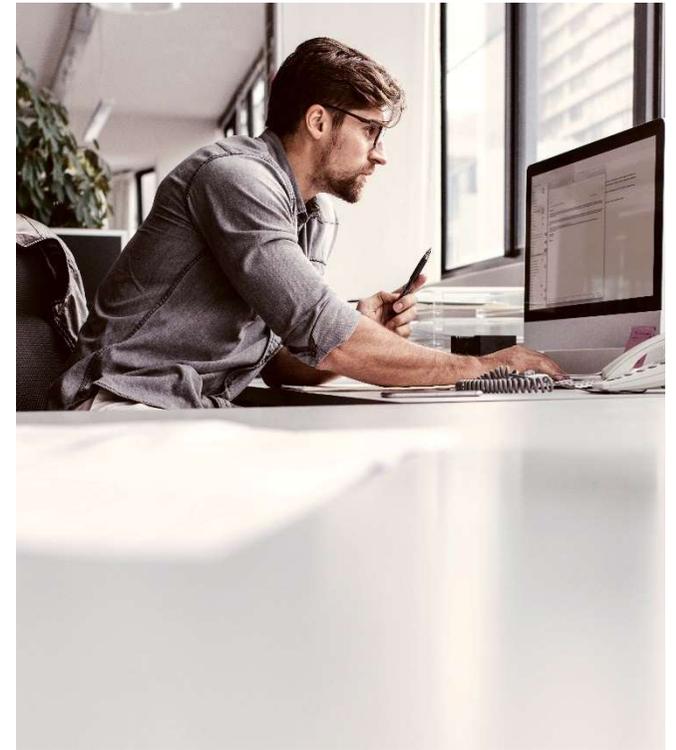
The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Financial Sustainability

Recommendation 4	Consideration should be given to making a clear distinction between statutory and discretionary spending in budgetary information provided to members and published on the Council's website.
Why/impact	This would help users of the financial planning documents to distinguish between the different types of spending in order to understand which elements relate to statutory obligations and which relate to discretionary council decisions.
34	Auditor judgement
The categories of spending could be made clearer in financial planning documents as at present the amount of statutory vs discretionary spend is not clear.	
Summary findings	No distinction is made between statutory and discretionary spend.
Management comment	<p>The Council is content with its current financial reporting structure and considers the make up and delivery of its budget as a whole rather than routinely distinguishing between statutory and discretionary services. We would also be concerned about the perception of discretionary services that would be generated from this approach and would not want those services to be seen either as second class or more at risk than statutory services. Our approach to resolving budget deficits will involve not only those discretionary services but also a review of the level of service provided by statutory services as well as the efficiency of those services. It should also be noted that in some cases statutory services contain an element of discretionary delivery that would need splitting out and support services would need to be allocated across discretionary and statutory services which would obscure from scrutiny the performance of those support services.</p> <p>The council will reconsider this position should it be approached by key stakeholders requesting this reporting split.</p>



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Financial Sustainability

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Recommendation 5

Savings plans over the life of the Medium Term Financial Plan should be formalised and approved by Full Council. Any savings should then be monitored to ensure the required amounts are being met.

Why/impact

The Council faces a significant budget gap over the medium term and while they have deficit reduction plans built into their medium term financial planning, not formally approving and monitoring savings plans could lead to greater budget gaps in future periods, or the council being over reliant on reserves in order to set balanced budgets.

Auditor judgement

The lack of savings plans or monitoring of any savings could reasonably lead to the council not being able to deliver balanced budgets in future periods.

Summary findings

While the Council has deficit reduction plans built into their medium term financial planning, there is only one specific saving that has been formally approved, and there is currently no monitoring of savings plans.

Management comment

The budget policy framework is the responsibility of full Council and as a result the approval of the budget and the MTFS is reserved for Council. The formation of the budget and the delivery of the budget is delegated to Executive Committee whilst scrutiny is delegated to Overview & Scrutiny Committee. As a result of these arrangements, reports which include savings plans are reported through the committee structure and then picked up within the budget policy framework for approval by Council. This approach has seen a number of reports to committees including the trade waste review, the planning review, the heat replacement project and the bulky service review. Further to this the projects are managed in variety of formats some of which require formal reporting and some requiring informal reporting but all requiring reporting and management through the council's programme board.

Consideration will be given as to how this individual reporting can be formally collated and what the most appropriate level of reporting is.

The range of recommendations that external auditors can make is explained in Appendix C.

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

Managing and assessing risk

The Corporate Risk Register is updated annually and is presented to the Audit & Governance Committee twice annually. The register is Red Amber Green rated (RAG rated) and contains the Council's highest rated risks, the potential impact, any mitigating controls and the risk owner. It is visually informative, setting out the current and target risk scores for each risk identified.

We did not identify any evidence of the Council's decision making committees receiving or approving the Corporate Risk register during the year and as a result have raised an improvement recommendation that the council should consider this. See page 21 for information.

Budget setting process and budgetary control

The budget-setting process is multi-layered and extremely thorough, with several stages. The budgeting processes start with executive officers. Each budget holder has an internal finance team contact in a business partnering relationship where they meet monthly to set and monitor budgets, which are then pulled together in a draft full authority budget.

The draft budget is then presented to Executive for review in December, with additional papers presented to Executive to approve the budget in February. As a result of the pandemic, in 2020, an updated budget was also presented to Council in September which reflected the change in both funding, income and expenditure as a result of the pandemic.

The budget and Medium Term Financial Plan (MTFP) are considered concurrently. There is also a quarterly review of budget to outturn position by the Executive. These quarterly reviews set our variances and are clearly explained and they

contain both financial and non-financial information to support an appropriate level of scrutiny and challenge of the financial position at regular points during the year.

The Council's treasury management strategy is approved annually, and performance is built into quarterly financial monitoring to ensure all elements of the budgets are reviewed.

The monitoring of financial performance is a key indicator for budget holders, and the Head of Finance has confirmed that these individuals discharge this responsibility appropriately.

This high level of scrutiny together with the Council's track record of achieving budgets and building reserves confirm the strength and validity of the budget setting processes in place.



Internal Control

Tewkesbury has an internal audit function who are responsible for the delivery of an annual internal audit programme. The Internal Audit Function normally report regularly to the council's Audit & Governance Committee bringing Audit Plans, progress updates, finalised reports and an annual opinion. As part of internal control processes, management also report the progress against Internal Audit recommendations throughout the year.

At the outset of the pandemic, members of this team were re-deployed to support the set-up and administration of the coronavirus grants to businesses and individuals. As a result, the Internal Audit Plan for 2020-21 was amended. This amended plan was presented to the September 2020 Audit & Governance committee with sufficient resource to complete the amended Internal Audit Plan by the end of the year. At the December 2020 Audit & Governance Committee, it was noted as part of the monitoring of governance issues, that the Internal Audit work would need to be completed in Quarter 4 of the financial year. After that there was no more formal reporting to the Audit & Governance committee in 2020-21, and in July 2021 the Head of Internal Audit opinion was presented, which gave a limitation of scope opinion as a result of not being able to undertake any Internal Audit work during the year.

To provide assurance to the Audit & Governance Committee that the system of internal control was operating effectively during the period, management produced assurance statements. These statements were produced by each directorate and signed and approved by the Head of each directorate. While none of these statements identified any significant control gaps or control failures, the statements were not produced until 2021-22 and therefore were not undertaken during the year. There has also been no independent verification of the statements, or the Council's internal controls.

We also identified that as part of the Audit & Governance Committee's assessment of the internal audit plans and progress during the year, there were not any options appraisals undertaken to consider alternative means of providing the necessary independent assurances to the Council on the effectiveness of the Council's systems of Internal Control. Completing such an exercise would have enabled the Audit & Governance Committee to determine the best course of action in relation to the lack of capacity in the internal audit team and could have prevented the Head of Internal Audit from having to give a limitation of scope opinion.

Finally, our work identified that there has only been a limited movement on the Council's Internal Audit Recommendations that have not been implemented during the year. When actions are not addressed, there is a risk that the Council's system of Internal Control will not be effective enough to prevent significant failures.

The lack of arrangements in relation to the Council's internal control system during the year have amounted to a significant weakness in 2020-21 and therefore we have issued a key recommendation as detailed on pages 5 to 8. This significant weakness has been reported in the Council's Annual Governance Statement alongside an action plan to address the issue identified.

The Council also has a Local Counter Fraud Specialists, who undertake a programme of work to support the Audit & Governance processes at the council. This includes a mix of proactive and investigatory work. The Local Counter Fraud specialist was able to undertake work during 2020-21. Findings are reported annually to the Audit & Governance committee.

Audit & Governance Committee timeline



Annual Governance Statement

Included in the Council's Annual Governance Statement is a list of significant governance actions, with associated proposed actions, a timescale and the responsible officer.

The plan seeks to address the weaknesses in arrangements, including the key recommendation we have raised on page 5 and the improvement recommendation noted on Page 22 in relation to the councils plans to ensure Community Infrastructure Levy governance arrangements are formalised. It will be vital that the Council implements these actions as effectively and efficiently as possible.

The council also undertake a programme of regular service reviews, the results of which are often reported in the Annual Governance Statement.

The Annual Governance Statement is compliant with the CIPFA code. An appropriate level of care is taken to ensure the Council's policies and procedures comply with all relevant codes and legislative frameworks.



Leadership and committee effectiveness/decision making

The work of the Council's committees is governed by the constitution. This constitution is regularly reviewed and updated. The constitution is shared with all staff members on joining and is openly available on the Council's website. The Annual Governance compliments the Council's constitution, which sets out how the Council operates, how decisions are made and the policies which are followed to ensure that these are efficient, transparent and accountable to local people.

There is a good 'tone from the top' with members and management embedding an appropriate culture across the organisation. As noted on page 18, budget holders also set an appropriate tone by ensuring they are discharging budgetary responsibilities appropriately. There is also a good suite of policies in place, covering gifts & hospitality, whistleblowing, anti-fraud and corruption, and the Council has an established antifraud culture., providing training to both staff and members as required.

The Council also has a standards committee comprised of 7 members of the council and two independent persons. The role of the committee is to promote and maintain high standards of conduct, to assist members to observe the code of conduct and to hear cases where required. The committee meets a few times each year, or as required and during 2020-21 there were no conduct matters requiring consideration.

Improvement recommendations



Governance

Recommendation 6	The Council should consider an annual review and approval of the Corporate Risk Register by a decision making committee such as full Council or the Executive.
Why/impact	We identified that the only committee to have received a copy of the Corporate Risk Register for review in 2020-21 was the Audit & Governance Committee. While this is appropriate from a risk management point of view, the council's main decision making bodies did not have sight of the register in a formal setting to consider and debate where necessary.
Auditor judgement	There is a risk that the members of those committees may take decisions that impact on the council's key risks due to lack of awareness of the elements of those risks.
Summary findings	The Council's key decision making bodies did not have formal sight of the Corporate Risk Register during the period.
Management comment	The Council is happy to consider an annual risk register report to the most appropriate decision making body. It will also consider a strengthening of the requirement to include a risk implications comment in all committee reports. The Council is currently reviewing its template and the associated guidance and will look to include further advice for officers in completing this section of the report and monitor the quality of comments and links to the corporate risk register.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Governance

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Recommendation 7	The Council should work together with its partners over the coming year to ensure that all governance arrangements for partnerships are formalised in advanced of the commencement of projects. As part of this, the Council should ensure that the Community Infrastructure Levy (CIL) arrangements are formalised, as noted in their 2020-21 Annual Governance Statement.
Why/impact	Without formalised governance arrangements, the Council may find that controls are not operating effectively, which could lead to financial loss or reputational damage.
Auditor judgement	Our review of the Council's plans for 2021-22 identified various priorities to ensure appropriate governance arrangements. As part of this review it was noted that the Council had not formalised its CIL arrangements with its partners.
Summary findings	A lack of governance arrangements in projects with partners could reasonably lead to increased risk of override of controls.
Management comment	The three JCS Local Authorities are in the process of reviewing and confirming formal arrangements. Without formal partnership arrangements in place, the Council has sufficient internal governance mechanisms in place to manage the CIL.



The range of recommendations that external auditors can make is explained in Appendix C.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Performance review, monitoring and assessment

The Borough Council Plan 2020-2024 was approved by Full Council in 2019. The Plan sets out the Council's strategic themes, objectives and desired outcomes for the 5 year period. The Plan is then broken down into annual reviews that detail outcomes and priorities for the coming year. The first of these annual reviews took place in October 2021.

The Five year plan informs the Council's Key Performance Indicators (KPIs) which are the basis of regular performance reporting. The council's performance management framework links the overall corporate strategy and the Annual plans. Performance against KPIs is reported quarterly to the Overview & Scrutiny Committee. Reporting is clearly linked to the Council's plan and objectives as it is summarised by the Council's priorities. KPIs clearly set out specific actions, the responsible officer, a target date for completion, any progress and include detailed comments where required.

Just prior to the beginning of the period, the Council's most recent Peer Review concluded. As part of performance monitoring processes, the recommendations from the Peer review were presented to the November 2020 Executive committee meeting. The report details recommendations, actions, responsible officers and planned implementation dates. Each of these recommendations is either in progress or being utilised to improve the Council's overall performance.

While the Peer review provided a useful opportunity to compare the Council to other organisations, Tewkesbury has not routinely undertaken benchmarking during 2020-21.

Benchmarking is an effective tool that enables an organisation to compare and analyse its performance with others. It can provide a basis for collaboration and identify areas for improvement. We have therefore raised an improvement recommendation that the Council considers benchmarking to support future improvements. Detail of the recommendation is included on page 25.

The benchmarking exercise that we undertook using our management tool 'CFO Insights' compared various areas of the Council's financial position to other English District Councils. The following highlights were identified:

- Tewkesbury has a healthy level of overall reserves, but a low level of General Fund Reserves;
- Capital spend was in line with other Districts in the County of Gloucestershire; and
- Tewkesbury's total borrowing as a proportion of Long-Term Assets is mid-range compared to other district councils.

We consider that the Council should be routinely benchmarking service costs in order to identify areas where efficiencies could be achieved. While we recognise that during the pandemic, the Council has had other priorities, as we move towards a new normal, we recommend the Council looks to build regular benchmarking into its performance assessments.

Partnership working

The Borough Council Plan sets out the objectives of partnerships, expected outcomes and deliverables. There is formalised and rigorous oversight of the work undertaken by the Council in partnership with other bodies.

Each of the Council’s plans is translated into a meaningful Key Performance Indicator (KPI), which is then included on the council’s performance reporting. There is a clear link between the Council Plan and performance tracking.

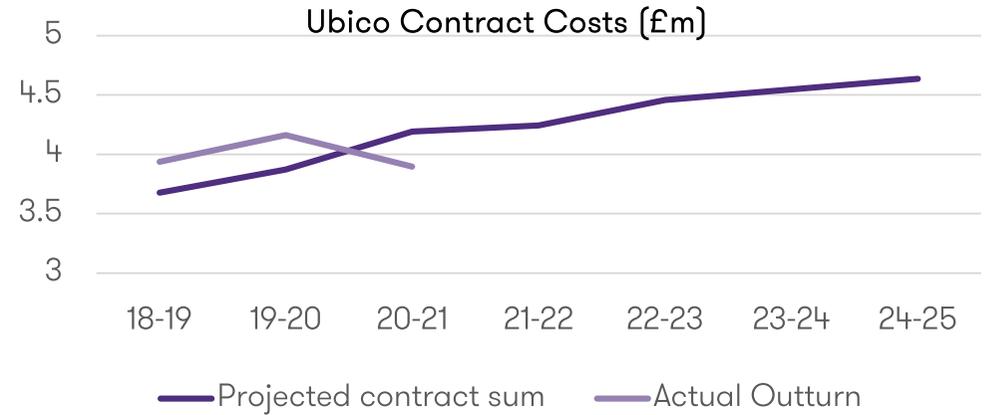
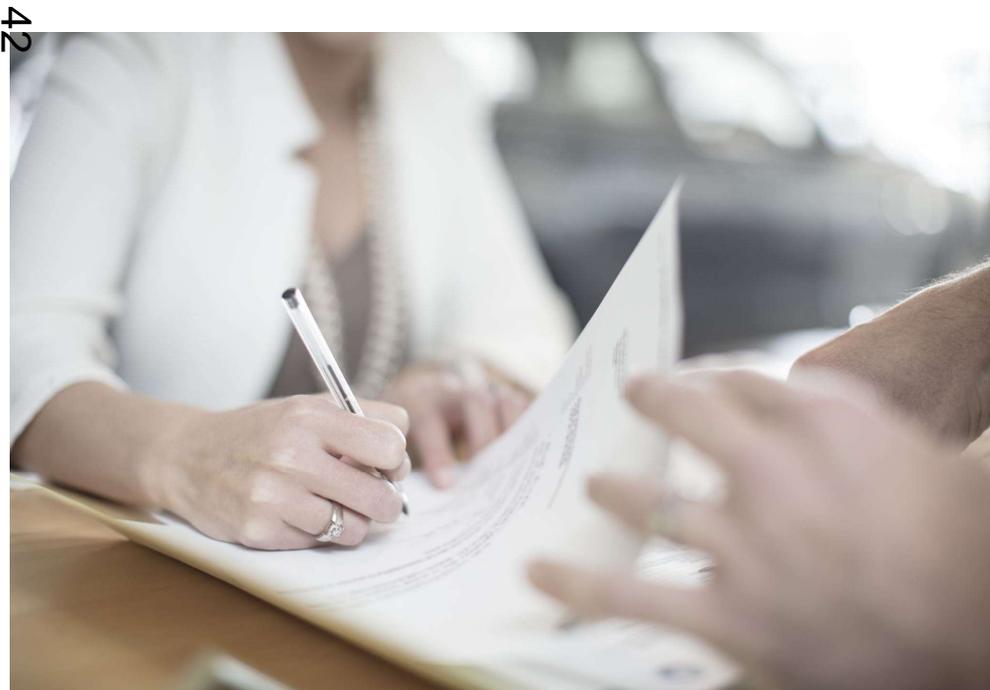
The Council has partnerships with other local authorities, the Local Enterprise Partnership and commercial organisations. The largest of these partnerships is with the Council’s Waste provider, Ubico. We consider this arrangement further later on this page.

Procurement & commissioning of services

The Council has a procurement strategy, which was approved in 2016 and ran for the period of 2016 to 2020. Since then no formal review or revision of the policy has taken place, and as such there is a risk that the policy is out of date. We have therefore raised a recommendation on page 26 that this is actioned as soon as possible.

We understand that the Council did not amend its procurement processes or controls as a result of the pandemic.

The Council ensures that the risks and rewards of contracts are considered at the procurement stage. We evidenced as part of our review that contracts are appropriately reviewed for their risk and reward, especially as part of the process of appointment or reappointment. Our review has not identified any evidence of repeated commissioning without sufficient regard to the market or performance.



Ubico Contract

The Council has in place several contracts to deliver specified services, the largest of which is the contract with Ubico for the delivery of waste and recycling, street cleansing and grounds maintenance. The cost of delivering these contracts at the same output levels will continue to increase with inflation and an assumption of the relevant level of inflation to apply for each contract has been made within the council’s MTFs.

Having experienced overspends with their waste partnership in the past, the council made significant improvements to their processes in previous periods. In 2019-20, the Council implemented actions to better monitor performance, including monthly meetings with Ubico finance officers, the separation of the Ubico position within outturn reporting and Ubico directors attendance at annual Overview & Scrutiny meeting to present the Ubico Annual report. The council has maintained this level of scrutiny and monitoring in 2020-21 and this led to a surplus of £160k in year.

Given the Council is aware costs will increase annually, the MTFP detail includes inflationary increases annually. Arrangements to monitor the performance of the significant contract are deemed to be appropriate.

Improvement recommendations



Improving economy, efficiency and effectiveness

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Recommendation 8	The Council should look to introduce analysis that benchmarks its performance against other local authorities both in financial management and performance indicators.
Why/impact	There is a risk that the Council's performance monitoring is not stretching and that opportunities for improvement are missed through not comparing the council's performance against peers.
Auditor judgement	We did not identify much benchmarking across the performance reporting at the council. Implementing benchmarking could identify areas for improvement that may have otherwise been missed.
Summary findings	The Council has not undertaken benchmarking during the period and may be missing opportunities for improvement as a result.
Management comment	The Council is happy to consider appropriate and reliable sources of benchmarking information and will consider the most appropriate methodology for reporting the information. This is a proposed action within the Council's Financial Management code assessment.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

	Recommendation 9	It is important that the Council ensures all policies are regularly reviewed and kept up to date.
	Why/impact	Where a policy is out of date, there is a risk it does not take into account more recent legislation or is out of line with the Council's updated priorities.
	Auditor judgement	We determined that the Council's Procurement policy was out of date and that it had not been updated in advanced of it's expiry date.
44	Summary findings	Our review of the Council's Procurement Policy identified that it was appropriately approved in 2016 and ran for the period of 2016 to 2020. As such was out of date at the time of our review and a new policy had not yet been reviewed or approved.
	Management comment	The procurement policy was updated at Executive Committee in January 2022.



The range of recommendations that external auditors can make is explained in Appendix C.

COVID-19 arrangements



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Since March 2020 COVID-19 has had a significant impact on the population as a whole and how Council services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

Financial sustainability

The Council initially reassessed its finances at the outset of the pandemic, reporting an estimated cost of £2.8m to the organisation during 2020-21 and revised its budgeted outturn as a result. Throughout the year, the Council continued to monitor against this updated position and included a specific line for covid-19 costs in its reporting structure to highlight these costs to members.

The Council's arrangements have adapted to respond to the new risks they are facing from 2020-21 onwards in respect of Covid-19. This includes reduced income growth and unavoidable growth in costs. Future financial planning has been undertaken on this basis, which is appropriate.

There are appropriate arrangements in place also to monitor costs and incomes related to Covid-19 such as part of the Government Delta return process.

There are no indications that there are any significant weaknesses in the Council's arrangements to secure VfM as a result of Covid-19 in relation to Financial Sustainability.

Governance

The system of internal control was not altered as a result of the pandemic.

As allowed under the council's constitution, the Chief Executive, in consultation with other members of senior management took a number of decisions under urgency powers during the first lockdown. Each of these decisions was reported to Council as required by the council's constitution and our review of the decisions did not identify any weaknesses in either the arrangements or the decisions.

During lockdown procedures the Council operated a remote meeting system for its scrutiny meetings. Keeping within statutory and constitutional requires this arrangement has returned to in-person meetings since lockdown measures eased.

As previously noted, the council redeployed its Internal Audit Staff during the period. The resulted in the team undertaking no Internal Audit reviews during 2020-21, the consequence of which was a limitation of scope head of internal audit opinion. We reported in the governance section of this report that this relates to a significant weakness in the council's arrangements to secure independent confirmation that their systems of internal control are operating effectively.

Improving economy, efficiency and effectiveness

The council moved quickly at the start of the pandemic, to secure sufficient IT infrastructure to ensure all staff could work remotely.

Effective controls around procurement have been maintained during the Covid-19 as there have been no major changes to the council's processes.

The council leadership set up frequent meetings in the early part of the pandemic, that enabled them to discuss the Council's plan to recover from the impact of the pandemic. As a result of these meetings, the Council produced a covid-19 recovery plan which was presented to members and progress against each Key Performance Indicator (KPI) continues to be monitored on a quarterly basis.

There are no indications that there are any significant weaknesses in the Council's arrangements to secure VfM as a result of Covid-19 in relation to the three E's.

Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified opinion on the financial statements on 2 November 2021.

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Other opinion/key findings

List by exception, such as AGS, etc

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit & Governance Committee on 15 September 2021.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

Our work found is not yet complete as the NAO have not yet issued their instructions. As a result we are unable to complete the required procedures or certify closure of the audit.

Preparation of the accounts

The Council provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

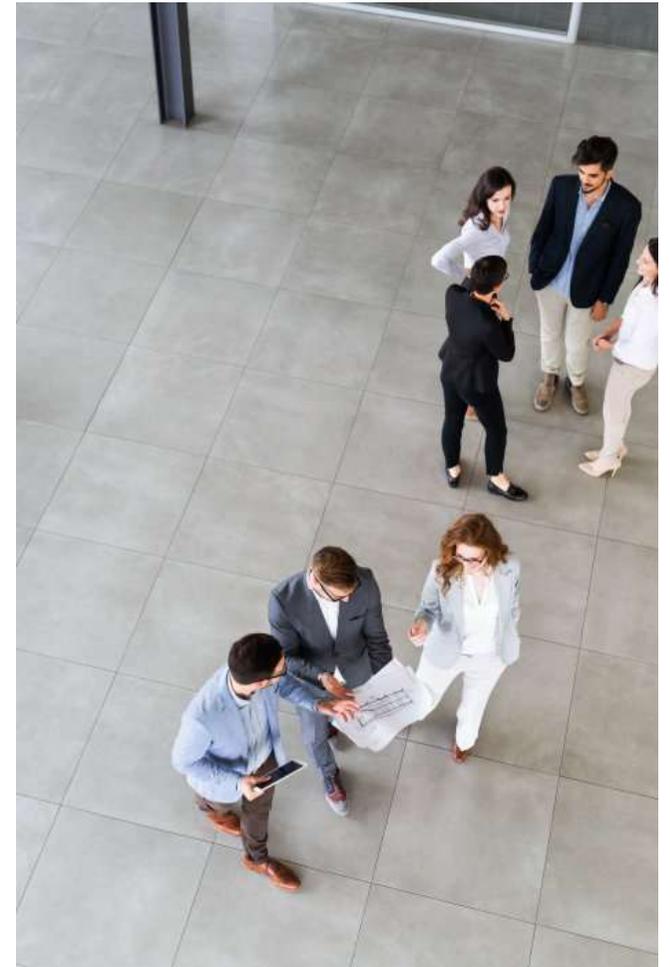
Issues arising from the accounts:

The key issues were:

- The Council reported a material uncertainty in relation to Car Park valuations in its financial statements and we have referred to this as an emphasis of matter in our audit opinion.
- The Council initially incorrectly included £27m of COVID grants they had designated on an agency basis in the Income and Expenditure Statement on a gross basis. This was corrected in the final approved financial statements.
- We highlighted two medium priority recommendations relating to completion of member declarations of interests and review of fully depreciated assets.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.



Appendices

Appendix A - Responsibilities of the Council



Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

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Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare 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. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

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



Appendix B - Risks of significant weaknesses - our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
<p>The Council's arrangements for securing financial sustainability into the medium term</p> <p>The Council set a balanced budget for 2020/21, but the longer term picture looks more challenging with a £7.4m gap identified over the period to 2025/26.</p> <p>There is a risk that financial plans are not sufficiently developed to close the funding gap, which in turn could impact on the council's ability to deliver services.</p> <p>Due to the inherent uncertainty we have concluded that there is a significant risk of weakness in arrangements for delivering financial sustainability. We will review the council's arrangements for identifying and monitoring risks to financial delivery, review the robustness of the council's medium term financial strategy and savings plans.</p>	<p>We:</p> <ul style="list-style-type: none"> Reviewed the appropriateness of the Medium Term Financial Plan assumptions; Considered the arrangements for identifying and approving savings; and Reviewed the Council's reserve position. 	<p>While we determined that there was not a significant weakness in arrangements, as management's assumptions around their Medium Term Financial Plan were deemed to be appropriate, we identified a few areas for improvement. These related to commercial arrangements and the implementation of formally approved savings plans.</p>	<p>Arrangements are deemed to be appropriate, with one improvement recommendation raised in relation to the inclusion of rent voids in the MTFP detail and another improvement recommendation that the Council should prioritise the implementation and approval of savings plans.</p>

Appendix B - Risks of significant weaknesses - our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
<p>Head of Internal Audit – Limitation in scope opinion</p> <p>The redeployment of the Internal Audit team to support the Council's response to COVID-19 has been updated to Audit and Governance Committee during the course of 2020/21. With effect from April 2020, the Internal Audit team was deployed to the business cell to support the administration and payment of business grants and staff have remained in these roles throughout the year. This therefore has affected the programme of planned internal audit work for 2020-21 where no reviews have been conducted during this period.</p> <p>Consequently, the Council's Head of Internal Audit informed the Audit and Governance Committee that an annual opinion would not be able to be given on the Council's internal control environment resulting in a limitation of scope opinion for the 2020-21 financial year. We have concluded there is a significant risk of weakness in arrangements for governance, in light of this opinion.</p>	<p>We have:</p> <ul style="list-style-type: none"> • Reviewed the Head of Internal Audit's Annual Opinion for 2020-21; • Reviewed management's assurance statements; • Reviewed the Council's disclosure of governance issues within its AGS; • Reviewed the Council's progression against Internal Audit Recommendations; • Considered whether management could have done anything differently; and • Considered the impact of the lack of Internal Audit work on the Council's compliance with laws and regulations. 	<p>As a result of the lack of internal audit work, the heads of department all provided management assurance statements to support the effective operation of internal controls. These assurance statements were however not completed in year, and were not presented to the Audit & Governance Committee until September 2021. While these assurance statements provide some comfort that the Council's internal control system is operating as it should, the lack of independent verification is deemed to be a significant weakness. We also identified that the Council has a number of internal audit recommendations from previous periods that have not been actioned, and as a result, have recommended that these are reviewed with a view to implementing actions as soon as possible.</p>	<p>We have concluded that this evidences a significant weakness in arrangements to support the council's arrangements for ensuring an effective system of internal control and have raised a key recommendation in relation to this matter.</p>

Appendix C - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory 51	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	Yes	5 to 8
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Various pages

Appendix D - Use of formal auditor's powers

We bring the following matters to your attention:

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We did not issue any statutory recommendations.

Public interest report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue any public interest reports.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not make any applications to the courts.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue any advisory notices.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not apply for any judicial reviews.



TEWKESBURY BOROUGH COUNCIL

Report to:	Audit and Governance Committee
Date of Meeting:	24 March 2022
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:

The Council has a risk management framework and this is set out in the Council’s approved Risk Management Strategy. 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. The latest register can be found at Appendix 1.

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 then 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.

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. The latest register can be found at Appendix 1.

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 stages:

- 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).

It should be noted that the main focus should be on the risk description and the mitigating controls, rather than to challenge the risk scores as these are only indicative. It is the assurance on the management of the controls which is important.

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 supports the Audit and Governance Committee in gaining assurance that the risks are being effectively managed. Days are allocated within the 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?

Once the Internal Audit team is fully operational following the impact of COVID-19, it will resume the audit of these risks as part of its work programme.

- 2.3** 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 concluded that a mitigating control is not effective.
- 2.4** The risk register is presented at Corporate Management Team on a regular basis and further reviewed by the Corporate Governance Group; this group is chaired by the Borough Solicitor.

3.0 KEY UPDATES ON THE REGISTER

- 3.1** Summarised below are key updates arising since the register was last presented at Committee on 15 December 2021.

Risk identified	Key update arising
Ref 1. – Financial sustainability	The government’s Spending Review (SR) provided little clarity on the future of the Council’s funding streams. Accurate medium term financial planning therefore remains problematic.
Ref 3. – ICT network security	Given recent national and local incidents, cyber security remains a key area of work. Recruitment to the newly created cyber role is a particular focus, cyber security awareness training continues, obtaining Cyber Essentials accreditation, and ongoing security infrastructure work.
Ref 5. - General Data Protection Regulation (GDPR)	Online training has been rolled out to staff, with over 70 staff completing to date. This will shortly be rolled out to Members. Within the 2022/23 budget setting, a new Information Governance Officer post was approved to take responsibility not only for GDPR but wider information security work.
Ref 6. – Emergency planning	As discussed at the previous Audit and Governance Committee meeting it is proposed to remove this risk from the register. Whilst emergency planning incidents will remain a risk, the Council can demonstrate that arrangements to manage this risk are effective.
Ref 9. – Asset management	The planning application in relation to the installation of a solar carport in the rear car park will be considered at Planning Committee on 15 March 2022.
Ref 15. – Climate Change	The new Carbon Reduction Programme Officer commenced on 22 February 2022.
Ref. 17 – Waste transfer station	Grundon gained planning permission in January 2022. As at the date of writing, the contract with Gloucestershire County Council has not been renewed. This remains a risk to the Council and contingency plans are currently being worked on to enable the Council to direct deliver its waste beyond July 2022.

3.2 At the previous Audit and Governance Committee held on 15 December 2021, when reviewing the risk register, a Member of the Committee questioned if two further potential risks warranted inclusion. These were in relation to the Development Management improvement plan and the lack of a five year land supply. These were duly considered by the relevant Head of Service and discussed further by Management Team. It was agreed they did not need to be included on the following basis:

- Planning improvement plan – Whilst there is a potential risk that the project may not deliver the outcomes intended, there is a comprehensive project plan in place divided across various workstreams to mitigate this risk. At present there is also adequate resource deployed to the project and progress in delivery is monitored by the Transform Working Group as well as regular reporting to the relevant Lead Member.
- Five year land supply - It is acknowledged that the lack of a five-year land supply is a risk to the Council; however, it is not considered a risk to be included within the Council's high level risk register as the issues surrounding planning applications are dealt with on their individual merits. Once the Local Plan is adopted the Council will have a five-year housing land supply - adoption is expected to be in spring 2022.

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

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

Appendices: Appendix 1 – Corporate Risk Register (February 2022)

Appendix 1 - Tewkesbury Borough Council: Corporate Risk Register (updated February 2022)

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	Identified risk mgt action points	Target risk score
69 1	The uncertainty and volatility of council funding streams, including Business Rates Retention, New Homes Bonus and needs based funding, means that long term business planning is difficult and subject to significant change	<p>The Council received £3.3m from NHB, £0.7m from retained business rates and £1.85m from needs based grant in 2019-20.</p> <p>It has been indicated by central government that NHB will continue to be withdrawn in 22-23 and may or may not be replaced with an alternative scheme for incentivising housing growth.</p> <p>Business rates is a volatile income stream as a result of successful appeals. In addition, a planned move to a 75% retention scheme has been delayed for a year and there is a lack of detail around the new scheme. A planned reset of the system to redistribute growth has again been delayed.</p> <p>In Autumn 2020, a one year only Spending Review was again announced giving no certainty beyond March 22. As with business rates, the Fair Funding Review was also delayed by a</p>	5	5	25	<p>Council does not use 100% of NHB to support base budget.</p> <p>Accumulated provisions within existing retained rates scheme</p> <p>Development of other funding streams such as Council Tax and Commercial properties</p> <p>Revised MTFS highlighting size of impact and potential measures to bridge the deficit</p> <p>Significant MTFS reserve.</p>	Head of Finance & Asset Management	25	<p>Further development of alternative income streams to reduce dependence on these funding streams</p> <p>Detailed planning around major cost saving areas identified in the MTFS</p> <p>Government clarification on future of local government finance including:</p> <ul style="list-style-type: none"> Spending Review Fair Funding Review 75% business rates retention Future of NHB and whether an alternative scheme will be brought forward 	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	Identified risk mgt action points	Target risk score
		further year leaving councils uncertain as to how funding will be distributed to individual authorities.								
Comments: Neither the spending review nor the Local Government Settlement provided any clarity on the future of any of the Council's funding streams. Promises have been made to work with local government in 2022 to look at the opportunities and challenges within each of these areas.										
09 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	Corporate Management Team	15	Approval of Borough Plan. Review of the Joint Core Strategy. Implementation of DM improvement action plan Business case developments for J10. Development consent order for Junction 10 of the M5 works was consulted on in December and finished on 15 February 2022. Full delivery of the Ashchurch Bridge project and associated link road..	10

Appendix 1 - Tewkesbury Borough Council: Corporate Risk Register (updated February 2022)

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Green	1-4	Tolerate and monitor

61

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	Identified risk mgt action points	Target risk score
						<p>Strong relationships with key agencies such as Homes England and GFirst LEP</p> <p>Economic Development Strategy</p> <p>Establishment of Growth Hub</p>			<p>Development and delivery of Gloucestershire rail strategy.</p> <p>A46 realignment business case development.</p> <p>Tewkesbury Garden Town is part of the government's Garden Community programme and we are actively engaged with HE on this project.</p> <p>Identification of opportunities to use business rate reliefs to support and attract business</p>	
<p>Comments: The strategic allocation are beginning to deliver reserved matters applications, which will see growth in the borough. The Local Plan is at an advance stage with adoption scheduled to take place early 2022. A revised timetable for the review of the JCS will be presented to Members in the next couple of weeks. The benefit of this will be undermined by the withdrawal of NHB and the lack of clarity around its replacement. The future of business rates retention also remains unknown.</p>										
3	If the ICT network is not adequately protected then there is a potential risk that it could be	Phishing attacks/Spear phishing – untargeted mass emails sent to many recipients to acquire sensitive information/targeted	5	5	25	<p>Patch management</p> <p>Penetration testing</p>	Head of Corporate Services	12	Finalise and test cyber response plan	9

Appendix 1 - Tewkesbury Borough Council: Corporate Risk Register (updated February 2022)

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Green	1-4	Tolerate and monitor

62

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	Identified risk mgt action points	Target risk score
	subject to a cyber-security attack leading to loss of systems and significant downtime.	<p>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. Malware – forms of harmful software executed when it is mistakenly downloaded.</p> <p>Ransomware – denies access to systems until a ransom is paid.</p> <p>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> <ul style="list-style-type: none"> Loss of reputation and trust Financial loss – disruption to service delivery, cost of restoring systems 				<p>Internal phishing awareness exercises</p> <p>PSN compliance</p> <p>Firewall management</p> <p>Cyber insurance</p> <p>Cyber specific post created within ICT Team</p>			<p>Network segmentation</p> <p>Cyber essentials accreditation</p> <p>Recruit to cyber post</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	Identified risk mgt action points	Target risk score
		<ul style="list-style-type: none"> Legal implications – personal data breach could lead to a significant fine 								
Comments: A network and security infrastructure role (with cyber responsibility) has been created – this needs to be recruited to but has seen two unsuccessful rounds of recruitment. Recruitment is now underway but through a recruitment agency. Technical work includes the segmentation of the network to make it less ‘flat’ and therefore more resilient. The team were close to obtaining cyber essentials accreditation – a standard of good practice. In January, the format of the accreditation was amended and the team is now working on a resubmission.										
69 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? 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	<p>Individual service continuity plans</p> <p>Draft corporate plan</p> <p>ICT disaster recovery</p>	Head of Corporate Services	12	<p>Finalise and test draft plan.</p> <p>Review of individual service plans.</p>	9
Comments: As reported previously it was expected that a review of business continuity arrangements would commence in quarter 4. This has started with a short business continuity awareness session undertaken with operational managers. This will now be followed up with a business continuity impact session facilitated by the Civil Protection Team and a full review of service plans.										

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64

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	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.	<p>Reputational – adverse publicity and internal impact on service and individuals</p> <p>Financial – potential fines from ICO or compensation claim from individuals</p> <p>Resource – time consuming to report, investigate and mitigate data breaches</p> <p>Staff morale – in case of data breaches, potential disciplinary action</p>	4	4	16	<p>Data Protection Policy</p> <p>Governance structure in place eg Information Board, Data Protection Officer appointed, designated Senior Information Risk Owner, SpoC</p> <p>Breach reporting framework</p> <p>Staff awareness training</p> <p>GDPR action plan</p>	Head of Corporate Services	12	<p>Rollout of e-learning module</p> <p>Implementation of related audit recommendations</p> <p>Implementation of GDPR action plan</p>	9
<p>Comments: An annual report on the adequacy of the council's GDPR arrangements was presented to Audit and Governance Committee in December 2021. A new Information Governance Officer role was approved as part of the 2022/23 budget setting. The e-learning training comprising both GDPR and cyber security modules has been rolled out with over 70 staff completing to date. This will shortly be rolled out to Members.</p>										
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>	4	4	16	<p>Trained and willing volunteers / staff.</p> <p>Up to date emergency /</p>	Head of Community Services	8	<p>Develop further capacity within the organisation to assist in the case of an emergency. Additional staff have volunteered</p>	4

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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	Identified risk mgt action points	Target risk score
		Negative perception of the Council by external parties / partners/local businesses Failure to deliver critical services in the event of a declared emergency or event. Could result in significant extra cost over the long term				business continuity plans. Regular reviews of EP RAG Status (quarterly) Partnership working with the LRF and other partners e.g. Severn Trent Water. Sufficient equipment for rest centres/sand bag policy			Undertake a lessons learnt exercise of our Covid-19 response. Reported to O&S committee 7 September 2021 Formal training programme to be developed. Review of sandbag policy – to be undertaken by Climate Change and Flood Risk Management Group. The Policy was approved at Executive Committee on 5 January 2022. Review of flooding incident which occurred December 2020/January 2021.	
<p>Comments: Our emergency planning processes have been thoroughly tested over the recent weeks and months. Whilst we should never be complacent with regard to emergency planning it feels that this risk can be removed from the Corporate Risk Register. There are regular meetings with Local Resilience Forums (LRF) partners both an operational and strategic levels and any concerns can be raised via these groups or the regular internal Emergency Planning Team Leaders meetings.</p>										
7	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	5	2	10	Lease agreement in place.	Head of Community Services	8	Elements of the lease arrangement of the depot have been reviewed and changes made to formalise	5

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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	Identified risk mgt action points	Target risk score
		CBC were minded to terminate this arrangement then we may need to identify a suitable depot for Ubico to operate of waste services from.							the arrangements with Cheltenham BC. Consider where a temporary depot could operate from in an emergency.	
<p>99 Comments: Work has started on the new depot project and progress will be reported to the Depot Services Working Group as and when appropriate, this is a significant piece of work and is likely to take a number of years to reach fruition. In the meantime we maintain a good relationship with Cheltenham Borough Council who are the owners of our current depot.</p>										
8	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. 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. Adopt the quality assurance framework for safeguarding.</p> <p>Where necessary ensure pre-employment checks / DBS checks are carried out. Robust checking system in place.</p>	4

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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	Identified risk mgt action points	Target risk score
						Safeguarding policy has been reviewed and adopted.				
Comments: Our Safeguarding Children's S.11 self assessment received positive feedback from the assurance panel and this would indicate that we are complying with our legal duties around safeguarding. A similar exercise has now been carried out for adults at risk safeguarding and we are awaiting feedback.										
79 9	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 £60m producing an annual gross income of £3.4m.	5	4	20	Recent refurbishment of service related property Establishment of annual contribution to Asset Maintenance Programme Commercial investment reserve Trained and experienced staff Appointment of external investment support	Head of Finance and Asset Management	6	Establishment of long term asset maintenance programme, including allocation of required funding.	3

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						Recruitment of additional Property Officer				
<p>Comments: Investment will shortly be made in a new solar car parking canopy to support the Council's energy needs. An application has been resubmitted for additional funding to support the replacement of the heating system with an air source system. It is hoped that this will be successful and a project would commence in the second half of the year. Given the additional work on both of these projects, the update to the Asset Management Plan has been delayed until Q1 in 2022/23. The use of asset management reserves to support the projects will utilise the majority of available reserves and given that there is no annual contribution to the reserves it is imperative that year end surpluses are directed to support this area.</p>										
10	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	Performance monitoring through CRM system Partnership working and effective governance with LEP Dedicated staff to manage hub and outputs e.g. manager and navigator Promotion through business networks	Head of Development	4		4
<p>Comments:</p>										

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<p>Growth Hub has now been operating for over 3 years. Due to Covid-19 and government guidelines the Growth hub facility closed to the public at the end of March 2020 and moved to an online service. Government guidance allowed for a phased return to the hub from July 2021. This has understandably impacted on the attainment of some outputs, such as visitor footfall. Output discussions have been undertaken with the LEP, who understand the situation as the other Network Hubs in Gloucestershire also closed to the public for a similar period. During Covid, significant support was also given to the business cell, particularly around business grants. Since reopening in July 2021 the hub has taken a phased return to 'in person' service delivery, being mindful of guidance and staff and client safety. Following a further relaxation of Government guidance in February 2022, regular in person events and meetings are now returning to the hub. An annual presentation on hub performance will not be required moving forward, as members of O&S are satisfied with the Growth Hub delivery. A report on the performance of the Growth Hub is presented at Overview and Scrutiny Committee – given the positivity of performance they have asked for this to be removed from their work programme.</p>										
11	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 £52k	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
<p>Comments: A trade deal was reached between the EU and the UK, however what this means locally this remains an evolving picture.</p>										
12	Garden town status	Failure to deliver Garden Town project will have an impact on the Council in	5	5	25	Tewkesbury Borough Council are holding	Head of Development Services/	12	Programme Board meetings provide regular and robust	9

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70		<ul style="list-style-type: none"> Reputation - Confidence from Government of TBC ability to deliver programme (<i>planning stages</i>) Financial (loss of NHB from assumed delivery of homes) Non Delivery of homes and jobs required for community (<i>delivery stages</i>) 				<p>regular meetings with the Project Assurance Group which is attended by a Homes England (HE) representative.</p> <p>The project is being managed through the standard HE Project Delivery Plan (PDP).</p> <p>Project Team in place.</p> <p>Completed update of the evolution of the masterplan to inform the JCS Review.</p>	Garden Town Programme Director.		<p>challenge/review. In addition the TBC communications team have recruited a communication officer specifically to aid the Garden Town team in the coms for the programme.</p> <p>Capacity funding award from Government this year also included £1.5m towards the County run J9/A46 project to assist with the ongoing business case development, plus £500k for assessment of options for establishing a delivery vehicle which has recently been procured as a consultancy commission with ARUP Group.</p> <p>Work continues on this commission with a tight timeline requiring the submission of a business case back to</p>	

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17						The Council has been successful in receiving extra funding from MHCLG and Homes England (HE). Regular review meetings with representatives from HE and Ministry of Housing, Communities & Local Government (MHCLG) (now Department for Levelling Up, Housing and Communities (DLUHC)).			<p>Government by summer 2022.</p> <p>The TGT team have submitted a bid to Homes England for the next round of garden communities capacity funding. Expected outcome in March 2022.</p>	
<p>Comments: Delivery of the programme will potentially be over a 25-30 year period. During that time, there will be many challenges and risk elements to be mitigated. At this early formation stage, the team are focusing on getting the key foundations in place in terms of clarifying the forward strategy and ensuring the council has the capacity and capability to start delivery. The highest risk in this regard, is further delay to the JCS Review. The review is vital in providing an</p>										

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<p>important policy context for the Garden Town and the means to safeguard the programme's future. In particular, the role it will be able to play in helping bring forward sustainable and well managed growth. A revised timetable for the review of the JCS will be presented to Members in the next couple of weeks. Meanwhile, the team have been working on updating the concept masterplan, the assembly of land and the delivery of enabling basic infrastructure such as the proposed Ashchurch Bridge. The Programme continues to be regularly reviewed by Government and remains well regarded, with further capacity funding requests being actively considered.</p>										
72 13	Non-delivery of the Ashchurch bridge project.	The project has a time limit of March 2022 for funding draw-down. (Note: this has been formally amended to September 2023)	5	3	15	<p>Grant funding agreement with Homes England (2019) Planning permission granted 16 March 2021.</p> <p>Agree licence/access with landowners</p>	Programme Director	15	<p>A Judicial Review submitted by a group of local parishes was heard at the high court in November. In January 2022, the Judicial Review ruled in the Council's favour and all challenges were dismissed. However, it is understood that the parishes have now lodged an appeal.</p> <p>Heads of terms for land acquisition and access rights issued to landowners and due to be formalised legally shortly.</p>	8

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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	Identified risk mgt action points	Target risk score
						Network Rail is an active part of the project board.			Supporting transport modelling work to inform wider land assembly strategy completed Spring 2021 and a development delivery strategy is also now in preparation to inform ongoing conversations as to how Homes England may be able to assist. Detail for all the consents and clearances work with NWR for the bridge construction phase are in preparation/process of review.	
<p>Comments: The HIF grant award of £8,132,465 is under contract. However, due to programme slippage caused by Covid, the project completion date of March 2022 has been formally amended, with the HIF team at Homes England, to September 2023. The Deed of Variation formalising this amendment is now in place. The first tranche of HIF grant funding was successfully drawn down in March 2021, following a positive planning determination. The project team are now continuing to press ahead with the project planning for the construction phase due to commence in summer 2022.</p>										
14	The resource required to respond to and recover from	<ul style="list-style-type: none"> Non delivery of council plan ambitions 	5	4	20	'prioritisation of priorities'	Corporate Management Team	16	Utilisation of recovery reserve to support capacity.	8

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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	Identified risk mgt action points	Target risk score
	the Covid-19 pandemic is likely to have a significant impact upon the council's priorities.	<ul style="list-style-type: none"> Progress stalled in delivery of high profile projects Adverse impact on staff health and wellbeing Financial impact upon budget 				£500k recovery reserve HR support and wellbeing policies Covid-19 recovery plan Recovery aligned to government roadmap			Continued monitoring of workloads. Annual council plan refresh will look to absorb any outstanding recovery actions thereby resorting back to one key strategic document	
<p>Comments: Whilst this is impacting on the council now and technically an 'issue' rather than a risk it would be remiss not to include it within the register given this is not likely to be a short term issue. Quarterly updates continue to be provided to Overview and Scrutiny Committee through the council plan performance tracker and Covid-19 recovery plan. Our 'return to work' workstream has been implemented successfully and very recently, in line with the government announcement the removal of the majority of restrictions within the offices. Moving forward a balanced approach between home working and office working is the goal. During the course of the pandemic, additional resource has been brought in across a variety of service areas. The majority of services are now in recovery mode but there does remain pockets of pressure within certain functions, particularly the Business Cell and within Revenues and Benefits (as a result of Omicron Grants, test and trace payments, local council tax hardship scheme and the recently announced energy bill rebate)</p>										
15	The climate change motion approved by Council included a commitment to work with partners in	The climate change motion approved by Council in October 2019 contained a number of points including:	4	5	20	Temporary consultancy support	Head of Finance & Asset Management	16	Identification of specific actions to support wider carbon neutrality of whole council and the Borough.	4

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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	Identified risk mgt action points	Target risk score
	Gloucestershire to achieve countywide carbon neutrality aims as well as carbon neutrality for the Council's own services. Both of these targets are likely to require significant funding in delivering the aim.	<ul style="list-style-type: none"> Carbon neutral status for the council offices by 2030 working with partners in Gloucestershire to achieve countywide carbon neutrality aims <p>These aims are likely to require significant change in the council's own service delivery and influencing change in the wider community. The ambitions will also require significant financial input and additional capacity to deliver.</p>				<p>Appointment of countywide coordinator</p> <p>Approval of action plan for Council carbon neutrality</p> <p>Grant funding secured to deliver a new solar car parking canopy.</p> <p>Appointment of dedicated Carbon Reduction Officer.</p> <p>Allocation of £100,000 reserve to support small scale activities</p>			<p>Allocation of funding to support specific activities, both on an on-going and one-off basis</p> <p>Source external grant funding opportunities</p> <p>Collaborative working with partners to maximise efficiency and reduce cost</p> <p>Assessment and delivery of capacity and resource necessary to meet the Council's motion</p>	

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Comments: Executive Committee approved in early July the Year 2 action plan and a £100,000 action plan reserve. Funding has been secured to provide a solar canopy in the rear car park and a new application for funding to replace the heating system has been submitted. The new Carbon Reduction officer commenced on 22 February 2022.										
16	National driver shortage	There is a national shortage of HGV drivers. The impact is that across the Ubico contracts they are struggling to recruit and retain RCV drivers. The supply of agency drivers is a concern. The overall impact of this is that contract costs may increase and waste rounds may suffer from shortages resulting in service suspensions.	4	4	16	Increase the market supplement for drivers and train more loaders to become drivers.	Head of Community Services	16	Apply the business continuity plan if services are suspended. Continue dialogue with Ubico and suggest ideas to improve e.g. offering a golden hand shake / incentive for referrals of drivers from staff etc.	8
Comments: Ubico and the council have been managing this risk as best as we can. Additional budgets have been allocated for driver's salary enhancements and this has an impact on the overall budget. The issue remains a risk for the council.										
17	Waste transfer station at Wingmoor Farm subject to a variation of their planning,	The waste transfer at Wingmoor Farm is the subject of a planning variation to enable them to continue operating as our waste transfer station for our residual waste. There is no	4	4	16	Seek to influence Gloucestershire County Council (GCC) planning committee decision.	Head of Community Services	16	Make representation to GCC planning committee and also to TBC planning committee setting out the implications for the council.	16

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77		viable alternative within a sensible geographic area and the only alternative would be to direct deliver our waste to Javelin Park, this could result in the council needing to put new rounds on and purchase new vehicles and employ more staff. This will have significant financial implications for the council.								
<p>Comments: Grundon's gained planning permission in January 2022. As at the date of writing, the contract with Gloucestershire County Council has not been renewed. This remains a risk to the council and contingency plans are currently being worked on to enable the council to direct deliver its waste beyond July 2022. This would have a significant negative impact on the council's budget and may impact across the board on other service delivery. A second planning application is expected to be submitted by Grundon's ahead of the July contract termination date.</p>										

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit and Governance Committee
Date of Meeting:	24 March 2022
Subject:	Statement of Accounting Policies
Report of:	Financial Services Manager
Corporate Lead:	Head of Finance and Asset Management
Lead Member:	Finance and Asset Management
Number of Appendices:	1

Executive Summary:

This report sets out the main changes in accounting policies under the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. These policies outline the specific principles, bases, conventions, rules and practices applied when preparing and presenting the financial statements.

At the time of writing this report the deadline for completion of the draft accounts is 31 July 2022 and approval of the final audited accounts by November 2022. Members will be updated if there are any changes to these dates.

Recommendation:

To APPROVE the accounting policies to be used in the preparation of the 2021/22 financial statements.

Reasons for Recommendation:

The accounting policies govern the accounting treatment used to close the final accounts which this Committee is asked to approve by November 2022 after the audit has been completed. The Council must disclose the accounting policies it has applied to all material balances and transactions.

Resource Implications:

There are no direct financial implications arising from the approval of accounting policies, although if Members should not approve them, it may impact on the final outturn.

Legal Implications:

There are no direct legal implications arising from the approval of accounting policies and critical judgements; however, Section 21 of the Local Government Act 2003 enables the Secretary of State to make regulations requiring accounting practices including the Statement of Accounts to be undertaken in accordance with proper accounting practices (i.e. the current Code of Practice).

Risk Management Implications:

There is a risk of the accounts being qualified if the proper accounting practices are not followed or if they deviate substantially from the Code of Practice on Local Authority Accounting.

Performance Management Follow-up:

Grant Thornton will audit this as part of the year end audit and will issue an opinion by November 2022.

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

- 1.1 The Council is required to produce an annual statement of accounts prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
- 1.2 As part of this statement, it must disclose the accounting policies applied to material transactions and balances (materiality is provisionally set at £750,000). There is little discretion to the Council as the proper accounting practices, that all local authorities follow, are set down in the Code.

2.0 REVIEW OF THE 2021/22 ACCOUNTING POLICIES

- 2.1 The full list of accounting policies can be found at Appendix A.
- 2.2 There have been no substantial changes to the 2021/22 CIPFA Code of Practice on Local Authority Accounting which came into effect for financial year beginning 1 April 2021.
- 2.3 The new standard (IFRS16), which is a major change in the way leases are treated, has been deferred (currently until the 2022/23 financial year) due to the high level of work needed to be done by Councils.
- 2.4 We have reviewed the accounting policies against the IFRS standards to ensure consistency with standard practice. The accounting policies are the same as in the 2020/21 financial year.

3.0 IMPACT OF COVID-19 ON ACCOUNTING POLICIES

- 3.1 COVID-19 has had a significant impact on the wider economy and the Council over the last year, impacting on the accounts production process. The impact has not changed the accounting policies directly and the Council has continued to apply all policies in the same way.

3.2 The impact of COVID-19 has been to cause more uncertainty in market conditions, particularly on the fair value of assets and liabilities. We are yet to see the effects of increasing costs of living and energy, and the recent events in Ukraine. The Council's accounting policy is to record transactions on the balance sheet at their fair value in line with the CIPFA Code of Practice and accounting standards. This involves the use of estimates, particularly around the value of the property portfolio. We use third party RICS qualified valuers to estimate the value of the portfolio.

4.0 FUTURE CHANGES TO ACCOUNTING POLICIES

4.1 Due to the impact of COVID-19, the decision has been taken by CIPFA to further delay the implementation of IFRS16 – Accounting for leases for a year until, at least, 1 April 2023. The Council had prepared for the introduction of this new standard; however, no material leases have been identified.

5.0 OTHER OPTIONS CONSIDERED

5.1 None.

6.0 CONSULTATION

6.1 None.

7.0 RELEVANT COUNCIL POLICIES/STRATEGIES

7.1 None.

8.0 RELEVANT GOVERNMENT POLICIES

8.1 Local Government Act 2003 and Accounts and Audit Regulations 2015.

9.0 RESOURCE IMPLICATIONS (Human/Property)

9.1 None.

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

10.1 None.

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

11.1 None.

12.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

12.1 None.

Background Papers: None

Contact Officer: Finance Manager
01684 272006 emma.harley@teWKesbury.gov.uk

Appendices: Appendix A – Statement of Accounting Policies

Appendix A - Accounting Policies

1.1 General Principles

The financial statements summarise the council's transactions for the 2021/2022 financial year and its position at the year-end of 31 March 2022. 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.

1.2 Accruals of Expenditure and Income

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

- Revenue from 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.

1.3 Cash and Cash Equivalents

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

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

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

1.4 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g., cars) for current employees and are recognised as an expense for services in the year in which employees render service to the council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g., time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year (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 section or, where applicable, to a corporate service segment at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority 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.

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 transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. However, the council has a policy not to allow this.

1.5 Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements 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.

1.6 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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) - None held by the council

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.

Financial Assets which are in pooled funds which we can instruct to sell shares at any time are recognised on the balance sheet based on the authority's intention to hold the asset. Where the authority intends to hold the asset for several years then it will be classified as a long-term asset

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.

The fair value measurements of the council's financial assets are based on the following techniques:

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

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

Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the council can access at the measurement date.

Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

Level 3 inputs – unobservable inputs for the asset.

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

1.7 Government Grants and Contributions

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

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

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

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

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

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

Community Infrastructure Levy

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

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

1.8 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the authority as a result of past events (e.g., software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the council.

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

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

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.9 Interests in Companies and Other Entities

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

1.10 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

1.11 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.

Operating Leases

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

1.12 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 recognised losses 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.

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

1.13 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 2020/2021* (SeRCOP) are no longer used within the financial statements.

1.14 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.15 Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- [the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.]

The authority does not capitalise borrowing costs incurred while assets are under construction

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

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

Current Value
(Existing Use)

- 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

- 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

- 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 assets valued as MV in PPE, it is used for our investment properties.

- Depreciated historic cost
- Represents the cost of bringing the asset into operational use less an adjustment for depreciation. Used where a reliable estimate of its current fair value cannot be made;
 - 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, but as a minimum every five years. 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.

Property, Plant and Equipment (continued)

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 unless we have specific evidence from manufacturer/supplier;
- 10 years for waste bins - 10-year warranty
- Infrastructure - over the UEL of the individual assets as estimated by the valuer or Project Officer.
- These assets have an estimated UEL of between 30 - 60 years
- Specialist equipment - depreciated over the useful economic life (UEL) of the asset as estimated by a suitably qualified person.
- solar panels are being depreciated over 25 years

Revaluation gains are also depreciated. An amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost, being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

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

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

1.16 Charges to Revenue for Non-Current Assets

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

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

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis determined by the council in accordance with statutory guidance (England and Wales). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.17 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 accounts.

Contingent Assets

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

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

1.18 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. 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, local taxation, retirement, and employee benefits and do not represent usable resources for the council.

1.19 Revenue Expenditure Funded from Capital under Statute

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

1.20 VAT

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

1.21 Heritage Assets

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

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

The council does not, normally, purchase heritage assets.

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

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

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

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

1.22 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 NDR income included in the comprehensive income and expenditure statement (CIES) is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's general fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the general fund is taken to the collection fund adjustment account and included as a reconciling item in the movement in reserves statement.

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

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit and Governance Committee
Date of Meeting:	24 March 2022
Subject:	CIPFA Financial Management Code
Report of:	Financial Services Manager
Corporate Lead:	Head of Finance and Asset Management
Lead Member:	Finance and Asset Management
Number of Appendices:	1

Executive Summary:

The Chartered Institute of Public Finance and Accountancy (CIPFA) published the Financial Management Code (the Code) in October 2019. The Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. It sets out the standards of financial management for local authorities.

Recommendation:

- 1. To APPROVE the Assessment of Compliance with the Financial Management Code.**
- 2. To AGREE to receive an annual monitoring report of progress against the Code.**

Reasons for Recommendation:

The Code sets the standards of financial management for local authorities.

The Code is based on a series of principles supported by specific standards and statements of practice which are considered necessary to provide the strong foundation to:

- financially manage the short, medium and long-term finances of a local authority;
- manage financial resilience to meet foreseen demands on services; and
- financially manage unexpected shocks in their financial circumstances.

Each local authority **must** demonstrate that the requirements of the Code are being satisfied.

The first full year of compliance is 2021/22; however, due to unprecedented pressures on the Council's financial and corporate teams caused by the pandemic, it was not possible to conduct a full review until now.

Resource Implications:

This report relates to financial governance and should have no direct financial impact. Any development requirements will be identified, and appropriate training needs identified and provided.

Legal Implications:

Whilst compliance with the Code is not a statutory duty, failure to comply could be viewed as not meeting existing statutory duties.

Risk Management Implications:

The purpose of the Code is to help mitigate future financial risk and ensure that the Council remains a going concern.

Performance Management Follow-up:

The Council's external auditors will, from 2021/22, have regard to the Code and will be looking to ensure that the Council is meeting the requirements of the Code.

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

- 1.1** The Chartered Institute of Public Finance and Accountancy (CIPFA) published the Financial Management Code (the Code) in October 2019. The Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. It sets out the standards of financial management for local authorities.
- 1.2** Each local authority must demonstrate that the requirements of the Code are being satisfied. Compliance with the Code is a collective responsibility of Members, the Chief Finance Officer (CFO) and their professional colleagues in the leadership team. It is for all the Corporate Management Team to work with Members in ensuring that the principles of the Code are being met and so demonstrate the standard of financial management to be expected of a local authority.
- 1.3** Originally, local authorities were required to apply the Code with effect from 1 April 2020. After further considerations of the ambition within this Code, and the wider resource challenges facing local authorities, particularly during the COVID-19 crisis, CIPFA concluded that by 31 March 2021, local authorities should be able to demonstrate that they are working towards full implementation of the Code and the first full year of compliance with the Code would therefore be 2021/22. However, due to unprecedented pressures on the Council's services caused by COVID-19, the decision has been taken to delay the full implementation of the Code until 2022/23.

2.0 CIPFA FINANCIAL MANAGEMENT CODE

- 2.1** The Code applies a principle-based approach. It does not prescribe the financial management processes that local authorities should adopt. Instead, it requires that a local authority demonstrates that its processes satisfy the principles of good financial management for an authority of its size, responsibilities, and circumstances. Good financial management is proportionate to the risks to the authority's financial sustainability posed by the twin pressures of scarce resources and the rising demands on services.

- 2.2** The six principles of good financial management are:
- **Organisational Leadership** - Demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
 - **Accountability** - Based on medium term financial planning, driving the annual budget process, supported by effective risk management, quality supporting data and whole life costs.
 - **Transparency** - At the core of financial management, using consistent, meaningful, and understandable data, reported frequently, with evidence of periodic officer action and elected member decision making.
 - **Professional Standards** - Promoted by the leadership team, with adherence evidenced.
 - **Assurance** - Recognised as an effective tool, mainstreamed into financial management, including political scrutiny and the results of both external audit, internal audit, and inspection.
 - **Long-Term Sustainability** - At the heart of all local services' financial management processes, evidenced by the prudent use of public resources.
- 2.3** The Code focuses on value for money, governance and financial management styles, financial resilience, and financial sustainability. The Code identifies the risks to financial sustainability and introduces an overarching framework of assurance which builds on existing financial management good practice. The Code is structured around seven areas of focus:
- The Responsibilities of the Chief finance officer and Leadership Team
 - Governance and Financial Management Style
 - Long to Medium Term Financial Management
 - The Annual Budget
 - Stakeholder Engagement and Business Plans
 - Monitoring Financial Performance
 - External Financial Reporting
- 2.4** Each of these areas is supported by a set of guidance standards against which Councils should be assessed. CIPFA's expectation is that authorities will have to comply with all the financial management standards if they are to demonstrate compliance with the Code and to meet its statutory responsibility for sound financial administration and fiduciary duties to taxpayers, customers, and lenders.
- 2.5** CIPFA's intention is that the Code will have the same scope as the Prudential Code for Capital Finance in Local Authorities, so although the Code does not have legislative backing, it applies to all local authorities. In addition to its alignment with the Prudential Code, the Code also has links to the Treasury Management in the Public Sector Code of Practice and Cross Sectoral Guidance Note and the annual Code of Practice on Local Authority Accounting in the United Kingdom. In this way the Code support authorities by re-iterating in one place the key elements of these statutory requirements.
- 2.6** The Council's external auditors will, from 2021/22, have regard to the Code and will be looking to ensure that the Council is meeting the requirements of the Code. If compliance with the Code is not demonstrated, the Council's financial sustainability could be brought into question which in turn could result in a negative impact on its reputation with stakeholders.

Assessment of compliance with the Code

2.7 As a first step towards ensuring that the Council meets the Code in 2022/23, the Chief Finance Officer has produced a draft Assessment of Compliance, as attached at Appendix A. The assessment includes a number of identified actions to be taken forward in 2022/23 which will assist the Council's compliance with the Code's requirements. This Assessment will be continually reviewed and refined with a formal assessment being presented to Members on an annual basis.

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 Council staff will be made aware of the Code requirements. Any development and appropriate training needs will be identified and provided.

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

8.1 The Code sets out the standards of financial management for local authorities by focusing on value for money, governance and financial management styles, financial resilience, and financial sustainability. Application of the Code will strengthen financial resilience and sustainability of the Council.

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

9.1 See Paragraph 8.1

10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

10.1 None

Background Papers: None

Contact Officer: Trainee Accountant
01684 272226 margo.gabryelska@teWKesbury.gov.uk

Appendices: Appendix A – Assessment of Compliance with the Financial Management Code

APPENDIX A: Assessment of Compliance with the Financial Management Code

Code Ref	Financial Management Standard	S151 assessment	Level of Compliance (L/M/H)	Further action needed (if required)
1	The Responsibilities of the Chief Finance Officer and Leadership Team			
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money	<p>The leadership team is committed to achieving value for money and ensuring the services within the council are economical, efficient, effective, and equitable.</p> <ul style="list-style-type: none"> ➤ All business cases are evaluated on a VFM basis ➤ Change in Corporate Leadership Team to include s151 officer ➤ All committee reports include specific sections on financial and risk implications of the proposals ➤ Quarterly financial reporting to both Executive and Overview and Scrutiny Committees ➤ Audit and Governance Committee consider the arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements. ➤ External Auditor provides a specific VFM assessment each financial year with the current assessment determining an unqualified opinion ➤ Medium Term Financial Strategy based on objectives set in Council Plan. ➤ Corporate Peer Challenge (March 2020) favourable around financial planning and viability ➤ Service reviews are carried out in key areas to ensure the service is meeting the needs of service users 	H	<p>Financial Procedure rules and Contract Procedure rules must be embedded within the organisation to ensure money is spent effectively and goods and services are procured in an economic manner – strengthen the compliance with these arrangements through training and challenge.</p> <p>Identify and use appropriate statistics and benchmarks for comparative analysis at a service level</p>

		<ul style="list-style-type: none"> ➤ There is a robust corporate project management framework in place ➤ High level of customer satisfaction in most recent satisfaction survey ➤ 6th lowest council tax in England supporting our services 		
B	The authority complies with the CIPFA <i>Statement on the Role of the Chief Finance Officer in Local Government (2016)</i>	<p>Following a review of the senior management structure the Head of Finance and Asset Management (s151 Officer) now sits on the Corporate Leadership Team and reports straight to the Chief Executive.</p> <p>He is actively involved in, and does influence, all material business decisions.</p> <p>He is CIPFA qualified with significant experience in local government finance and is personally responsible for the Medium-Term Financial Strategy.</p> <p>The finance team is suitably resourced and fit for purpose. There are 3 qualified accountants, 1 trainee CIPFA accountant and 2 qualified accounting technicians. All team members undertake continuing professional development in relevant areas, and many have significant local government experience.</p>	H	Continue to support and encourage professional development within the finance team.
2	Governance and Financial Management Style			
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control	<p>There is a comprehensive scheme of delegation in place (detailed in the constitution) ensuring those in management roles maintain responsibility for internal and financial control.</p> <p>The Financial Procedure rules (FPR) and Contract Procedure rules (CPR) are regularly reviewed and</p>	H	Offer additional training for officers on the FPR's and CPR's.

		<p>communicated to relevant staff ensuring they are aware of their responsibilities.</p> <p>There is a formal governance structure in place which is regularly reviewed by the Corporate Governance Group and informed by the work of the senior management team who have responsibility maintaining a robust and effective governance environment.</p> <p>The Corporate Governance Group includes the Council's Monitoring Officer, the Chief Finance Officer, and the Chief Audit Executive. The group meet regularly and discuss all aspects of governance and internal control.</p> <p>The Audit and Governance Committee considers all areas of audit activity and has responsibility for overseeing the effectiveness of the council's framework of governance, risk management and control.</p> <p>The Internal Audit Annual Report of the Chief Audit Executive, as required by the Accounts and Audit regulations and the Public Sector Internal Audit Standards, gives the Chief Auditor's opinion on the overall adequacy and effectiveness of the organisation's governance arrangements, risk management and internal control environment, drawing attention to any issues particularly relevant to the preparation of the Annual Governance Statement.</p>		
D	The authority applies the CIPFA/SOLACE <i>Delivering Good Governance in Local Government: Framework</i> (2016)	The Annual Governance Statement is prepared in accordance with the CIPFA/SOLACE <i>Delivering Good Governance in Local Government: Framework</i> (2016). It is approved by Audit and Governance Committee alongside the Statement of Accounts every year.	H	None identified

<p>E</p>	<p>The financial management style of the authority supports financial sustainability</p>	<p>Strong financial management is assessed against a hierarchy of</p> <ol style="list-style-type: none"> 1. delivering accountability, 2. supporting performance, 3. enabling transformation. <p>The council has an effective framework of financial accountability with named budget holders responsible for each service budget.</p> <p>The Finance team provide a business partnering approach to services to support them in discharging their budget responsibilities.</p> <p>The CFO is an active member of the Corporate Leadership Team and regularly communicates the latest MTFS and wider financial risks to all staff and members.</p> <p>Use of a Corporate Peer Review to review and challenge the financial planning and viability of the council.</p> <p>Regular performance management reporting to members and CLT covering performance statistics, customer satisfaction, monitoring of key projects, quarterly budget monitoring reports to Executive and Overview and Scrutiny Committee along with the Council Plan (and currently COVID-19 recover) performance tracker.</p> <p>S151 officer and Finance Manager sit on the Council's Programme Board</p> <p>Significant investment in financial systems in the last few years has underpinned the council's approach to financial management.</p>	<p>M</p>	<p>Officers to review options for integrated financial and performance reports at a service level.</p>
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		Financial resources realigned to create a Digital Transformation team to enable service efficiencies and improved customer service.		
3	Long to Medium Term Financial Management			
F	The authority has carried out a credible and transparent financial resilience assessment	<p>The latest CIPFA Financial Resilience Index highlights the majority of indicators to be at the lower risk end for Tewkesbury.</p> <p>The Council has reviewed the areas that the index flags as concerning and are satisfied that the risks are known and manageable</p> <p>Through the course of the year, a number of different financial scenarios are reported to Transform Working Group mainly focusing on potential government funding levels but also looking at council income and expenditure</p> <p>Sensitivity analysis is included in the budget papers</p> <p>The Council undertakes an annual Going Concern Assessment.</p>	M	<p>The CIPFA Financial Resilience index should be reported to members</p> <p>The medium-term Financial Strategy to be enhanced by direct reference to the resilience index, more detail around different financial scenarios and the inclusion of a sensitivity analysis</p>
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members	<p>The authority understands the risks surrounding financial sustainability and regularly communicates these to members through formal reporting and informal seminars.</p> <p>The council produces a 5-year MTFS using a range of economic and service related assumptions.</p> <p>The current high levels of uncertainty around future funding for local government, and the legacy impacts of COVID-19, make producing a meaningful long-term plan very challenging.</p>	M	A more robust understanding of long-term financial sustainability will only come when the current uncertainties and risks are reduced as part of the medium-term financial planning process.

		<p>The council has an overarching council plan which sets out the council's long term strategic vision and the MTFS aligns with the priorities set out in the plan.</p> <p>The council has a robust approach to risk management with a corporate risk register, taken regularly to Audit and Governance Committee for oversight. The Corporate Governance group meet regularly to oversee any risks that threaten the financial sustainability of the organisation.</p>		<p>Longer term financial settlements and clarity over funding reform will enable the Council to prepare more meaningful longer-term plans</p>
H	<p>The authority complies with the CIPFA <i>Prudential Code for Capital Finance in Local Authorities</i></p>	<p>The Council is aware of its obligations under the Prudential Code and has only deviated from one area of the code regarding borrowing in advance of need. This has been clearly explained in the annual Investment Strategy taken to Executive Committee and no further additional borrowing to finance investment will be made.</p> <p>The Council also receives annual Capital and Treasury Management strategies alongside the Minimum Revenue Provision policy as required by the code. In addition, a mid-year treasury outturn report as well as a full year report is presented to monitor performance against the strategy.</p> <p>The Council retains treasury advisors to support the council in understanding and delivering the requirements of the Code</p>	H	None identified
I	<p>The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans</p>	<p>The Council has in place an agreed 5-year MTFS. This plan is consistent with the capital strategy and refreshed annually to reflect changes in priorities, commitments, underlying assumptions, and emerging issues.</p> <p>The MTFS is a live document maintained by the CFO and ensures that the Council always has a 5-year balanced</p>	M	<p>The Council's Asset Management Plan requires refreshing to support the MTFS of the Council</p>

		<p>budget, allowing for sufficient time to plan and deliver any required savings.</p> <p>The MTFS is linked in with the Council Plan which then feeds into individual service plans to ensure complete integration within the authority. Service plans are produced annually for Executive Committee to consider then they form part of Lead Member briefings and team meetings to ensure they are embedded within the authority.</p> <p>Growth is allocated to service areas to meet increasing demand where it is affordable within the overall budget parameters and the funding made available by the government.</p>		
4	The Annual Budget			
J	The authority complies with its statutory obligations in respect of the budget setting process	<p>The council understands the statutory obligations in respect of the budget setting process and sets a balanced budget annually along with a section 25 report on the robustness of the estimates made in the annual budget and the adequacy of the proposed financial reserves assumed in the budget calculations.</p> <p>The Council sets a balanced budget and ensures its required council tax increases comply with referendum limits. Both the budget and council tax are approved via a recorded vote.</p> <p>The authority is also aware of the circumstances under which it should issue a s114 notice (responsibility of the s151 officer).</p>	H	None identified
K	The budget report includes a statement by the chief finance officer	The annual budget report includes a statement from the chief finance officer on the robustness of estimates and a	H	Annual report to Executive Committee

	<p>on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves</p>	<p>statement on the adequacy of the proposed reserves in line with s25 of the Local Government Finance Act 2003.</p> <p>Risks in using any estimates when setting the budget are also identified separately in the budget report for members to understand all the uncertainties inherent in the budget they have been asked to approve.</p> <p>The adequacy of revenue reserves is outlined within the report and this is taken into account when reserves are approved annually as part of the closure of accounts process.</p> <p>The level of reserves has significantly improved in recent years</p>		<p>to approve the reserves should also contain commentary on the adequacy of reserves to meet any unexpected budget gaps.</p>
5	Stakeholder Engagement and Business Plans			
L	<p>The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan, and annual budget</p>	<p>The council is aware of who its key stakeholders are and ensures appropriate engagement.</p> <p>Regular engagement with members happens through the transform Working Group as well as lead member and Leader briefings.</p> <p>Regular liaison takes place with major contractors such as Ubico.</p> <p>The council undertakes an online budget consultation every year with residents and businesses once a budget has been drafted.</p> <p>We use a Citizen's Panel for targeted engagement on issues and more widespread engagement is focused on key service related areas such as changes in policy and service provision which feed into the final budget proposal.</p>	H	<p>Consider use of the Citizen Panel for specific financial engagement.</p> <p>When the Government are able to provide more financial certainty, the Council will consider earlier engagement of the public in budget consultations.</p>

M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions	<p>The Council has a robust corporate project management methodology designed to ensure that projects achieve deliverables on time and within budget.</p> <p>The council does not currently have a consistent process for undertaking and documenting option appraisals. These are undertaken on a case-by-case basis, based on the particular type of investment or decision being made. The approach will always look to comply with the principles of project and investment appraisal as set out by the International Federation of Accountants. The purchase of commercial properties highlights the Council's approach in this area.</p>	M	Consideration should be given to compiling a standard set of option appraisal templates that comply with the guidance set out in the IFAC/PAIB publication <i>Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal</i> (2013).
6 Monitoring Financial Performance				
N	The leadership team takes action using reports, enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	<p>Quarterly financial monitoring reports are provided to Heads of Service for comments, Corporate Leadership Team, Overview and Scrutiny and the Executive Committee, which identify significant variances and any corrective actions being taken. The reports cover the position to date and the forecast for the remainder of the financial year.</p> <p>Contract management is in place for all key partnerships such as Ubico and Places Leisure to ensure budgets and risks are managed promptly. Quarterly meetings and reports are fed back to relevant working groups and Corporate Leadership Team with any issues reported to committee by exception.</p> <p>The CFO regularly updates both CLT and Transform Working Group on emerging issues which are likely to impact on the Council's financial position.</p>	H	None identified

		The corporate risk register is updated and reported on a quarterly basis.		
O	The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability	<p>The authority has identified the elements of its balance sheet that are most critical to its financial sustainability.</p> <p>The authority has put in place suitable mechanisms to internally monitor the risk associated with these critical elements of its balance sheet.</p> <p>The prevention of risk is managed through a variety of factors including Treasury Management reporting every 6 months to Executive Committee including setting prudential indicators.</p> <p>The detection of risk is managed through:</p> <ul style="list-style-type: none"> - Monthly balancing of key systems and balance sheet codes - Regular benchmarking and monitoring of our investment portfolio - Monthly reporting of bad debts to service areas and reporting on recovery - Cash management system to manage cash flow 	M	<p>Officers are currently reviewing if other major balance sheet items can be made more visible in financial reporting.</p> <p>An annual report on the commercial property portfolio should be prepared and presented to the Commercial Investment Board</p>
7	External Financial Reporting			
P	The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom	<p>The authority's leadership team and the CFO are aware of the CFO's responsibilities in terms of the preparation of the annual financial statements.</p> <p>The authority's financial statements have been prepared on time and in accordance with the requirements of the Code of Practice on Local Authority Accounting in the</p>	H	None identified

		United Kingdom and have been consistently given an unqualified opinion by external auditors.		
Q	The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions	<p>The final outturn figures are reported to the Corporate Leadership Team against the approved budget so they can identify any areas of concern.</p> <p>Key variances are explained by the services to understand the ongoing implications which can feed into strategic financial decisions.</p> <p>Any future financial issues identified within these reports are fed into the live Medium Term Financial Strategy which is regularly reviewed by Corporate Leadership Team.</p> <p>Management Team consider the treatment of any surpluses generated before formal approval at Executive Committee</p> <p>Management team also consider the carry forward requests before formal approval</p>	H	None identified

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit and Governance Committee
Date of Meeting:	24 March 2022
Subject:	Internal Audit Plan Monitoring Report
Report of:	Chief Audit Executive (Head of Corporate Services)
Corporate Lead:	Chief Executive
Lead Member:	Lead Member Corporate Governance
Number of Appendices:	One

Executive Summary:

The monitoring report provides the Audit and Governance Committee with an overview of the internal work completed or in progress now resources have been released from the COVID-19 business cell. The report should provide confidence to Members that the foundations are now in place for the successful re-establishment of the internal audit function in 2022/23. Attached at Appendix 1 is the audit opinion for the first assurance assignment undertaken to date.

Recommendation:

To consider the Internal Audit work undertaken 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 assist 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 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. The monitoring report provides the Audit and Governance Committee with an overview of the work completed by internal audit. This includes a level of assurance as to how well the internal control environment is managed for each audit assignment undertaken. The report also provides an overview of the progress in implementing internal audit recommendations that were due for completion.

1.2 The monitoring report provides the Audit and Governance Committee with an overview of the internal work completed or in progress now resources have been released from the COVID-19 business cell. The report should provide confidence to Members that the foundations are now in place for the successful re-establishment of the internal audit function in 2022/23. Attached at Appendix 1 is the audit opinion for the first assurance assignment undertaken to date.

2.0 INTERNAL AUDIT COVID-19 RECOVERY PLAN PROGRESS

2.1 It is positive to report that the internal audit function is now resourced to deliver its operational requirements. Within the Council's Corporate COVID-19 Recovery Plan is an action '*Ensure the effective recovery of the internal audit function*'. This was also identified within the Council's Annual Governance Statement (AGS) as a significant governance issue. As the action sits within the recovery plan, this is monitored through a recovery tracker document that is reported to Overview and Scrutiny Committee on a quarterly basis. The report to Overview and Scrutiny committee on 8 March 2022 confirmed the completion of this action.

2.2 To give assurance to Members the internal audit function is re-established, since the last Audit and Governance Committee meeting held on 15 December 2021, the following has taken place:

- As reported to Committee, all previous internal audit recommendations have been reviewed, their status established and new implementation dates agreed where appropriate. Initial follow-up work has commenced.
- A new 12 month Internal Auditor post has been successfully recruited to and the postholder commenced work in February 2022.
- The team's Quality Assurance and Improvement Programme (QAIP) has been reviewed and updated and will be presented to Committee for consideration on 24 March 2022.

- The establishment of a six monthly audit plan (April - September 2022). This will be presented to Committee for approval on 24 March 2022.
- Internal audit work has commenced. The attached appendix is evidence of this.
- A further £10,000 was approved within the 2022/23 budget setting to support the delivery of technical ICT audits.

3.0 COMPLETED AUDIT ASSIGNMENTS FOR THE PERIOD

3.1 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 'substantial, reasonable, limited, no assurance'. Two audits have been completed to date – creditor's (payment of supplier invoices) and a COVID-19 grant related audit (specific to enforcement and compliance). The audit opinions can be found in Appendix 1. Consultancy and improvement work undertaken in the period is also included within the appendix, as is any follow-up work. It is also positive to report that another audit – sundry debtors is at practical completion stage. The outcome of this audit will be reported at the next Committee meeting.

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 is 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 opinions

Appendix 1 – Completed Audit Opinions

Audits			
Audit: Creditors 21-22			
Introduction: This audit is completed as part of the 2021/2022 audit plan.			
Risk identified:	Level of Control:	Overall opinion:	Recommendations:
<p>Legislative and Policy Compliance:</p> <p>LPC1: Retention of data does not adhere to the council's retention schedule and therefore the service is in breach of GDPR regulations leading to the possibility of prosecution/ fine.</p> <p>LPC2: Data in relation to expenditure exceeding £500 is not published in accordance with the Local Government Transparency Code 2015.</p> <p>LPC3: Non-compliance with Financial Procedure Rules.</p>	Reasonable	<p>In accordance with the transparency code 2015, data in relation to expenditure exceeding £500 is being published. As of the beginning of January 2022, expenditure up to the end of September 2021 was available on the council's website. Given the reallocation of resources to COVID this is an acceptable delay in the publication process.</p> <p>In respect of data processes, a privacy notice relating to Creditors has been published and the corporate retention schedule makes specific reference to creditor transactions. All services privacy statements and retention schedules are planned to be reviewed by the SPOC (officer responsible for data reviews). It has been agreed with the SPOC that the creditor privacy statement and retention schedule need to be amended to best reflect how creditor data is currently being retained and shared.</p>	None
<p>Economic & Financial</p> <p>EF1: Unauthorised payments to organisations.</p> <p>EF2: Purchases of goods and services are not authorised appropriately, payments are not accurately accounted for, levels of commitment are not recorded leading to inefficient processing.</p> <p>EF3: Financial losses arising from error or inappropriate activity.</p>	Reasonable	<p>There is an up-to-date authorised signatory list. These authorisation limits are set within the purchasing system. Testing of orders within the system confirmed that purchases of goods and services were appropriately authorised. Where commitment levels against proposed purchase had changed authorisation was also obtained. Invoices were found not to have been paid without a purchase order or the receipt of goods. In addition, allocation of expenditure was accurately accounted for within the General Ledger.</p> <p>Testing did identify that purchase orders for some services were being raised after the receipt of the creditor invoice. A review of the incomplete invoice report, which identifies invoices that cannot be matched for payment, noted that 12 out of the total 40 invoices could not be processed to payment as purchase orders were missing. This is non-compliance to the Financial Procedure Rules as purchase orders provide the authority for works to be completed to the agreed value. Delays in raising orders leads to understatement of commitments against service budgets and an interruption in the ordering to invoice matching</p>	<p>REC1 (EF2) <u>Recommendation priority:</u> Medium</p> <p><u>Recommendation Details:</u> Organisational awareness relating the impact of the late raising of orders after the receipt of a creditor invoice should be disseminated to services.</p> <p><u>Implementation date:</u> January 2023</p> <p>Responsible Officer:</p>

<p>EF4: Financial losses arising from fraud or error.</p> <p>EF5: Significant variances not identified and investigated.</p>	<p>process can also delay payments. It was noted that 7 of these invoices were paid between 4 to 85 working days later than the invoice due date. Incomplete invoices are chased through Financial Services, however, services themselves should be proactive in limiting the risk of unauthorised works by ensuring that their purchase ordering is up to date (Rec 1).</p> <p>Financial losses arising from error or inappropriate activity are controlled through having an established segregation of duties in relation to the payment process. The main method of payment is BACS but CHAPS or Faster Payments can be made in respect of higher value transactions or as a matter of urgency. Audit testing confirmed that a segregation of duties was being appropriately applied, and all transactions reviewed found that payments had been made to the correct bank account.</p> <p>Creditor invoices due for payment are identified through a 'ready for payments report' generated from the creditors financial system. Creditor invoices may remain unpaid on this report where they are being offset against existing credit notes that the council are holding against the creditor. This practice could potentially lead to debt not being recovered promptly if creditor invoices are not receipted on a regular basis. The review found 4 creditors where invoices for payment had not fully offset against existing credit notes. Outstanding monies totalled £9058.55 with the earliest credit note being dated 4/2/21. It is therefore recommended that a regular review of the 'ready for payments' report is undertaken in order to ensure that outstanding debt is recovered promptly in relation to the offsetting of invoice payments against credit notes (Rec 2).</p> <p>On occasions, creditor payments via BACs may fail where bank accounts have closed or details are incorrectly noted. A review of 3 months of these returned payments found that the payments had been appropriately re-allocated to new bank accounts and evidence of fresh bank instructions was documented. In respect of new creditors and changes to creditor details appropriate documentary evidence is retained to demonstrate the accuracy of the creditor record. The authorisation process concerning new creditors is appropriate, however, where changes are made to existing creditor details the documenting of the authorisation process through 'change view' within the financial system is not consistently applied. The Finance Manager explained that this appears to be a system issue within CIVICA Financials as two officers are involved in the change process. Further investigation is required with CIVICA to ensure that a clear audit trail can be demonstrated between the officer making the change and the officer authorising the alteration (Rec 3).</p> <p>Audit testing confirmed that the risk of variances occurring between the general ledger and the Creditor's system is controlled through the performance of a monthly reconciliation between the two systems. This is performed by the credit control officer (CCO) or in the CCO's absence their supporting back-up officer. A review by the Financial Services Manager is only undertaken where issues occur in the reconciliation process.</p>	<p>Finance Manager</p> <p>-----</p> <p>REC2: (EF3) <u>Recommendation priority:</u> Low</p> <p><u>Recommendation Details:</u> A regular review of the 'ready for payments' report is undertaken in order to ensure that outstanding debt is recovered promptly in relation to the offsetting of invoice payments against credit notes</p> <p><u>Implementation date:</u> January 2023</p> <p><u>Responsible Officer:</u> Finance Manager</p> <p>REC3: (EF4) <u>Recommendation priority:</u> Medium <u>Recommendation Details:</u> To investigate with CIVICA the 'change view process' relating to failed BACS payments and other creditor changes in order to ensure that the segregation of duties between the officer raising the change and the officer authorising the change is consistently demonstrated within the system.</p> <p><u>Implementation date:</u> March 2023</p> <p><u>Responsible Officer:</u> Finance Manager</p>
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Audit: Local Authority Compliance & Enforcement Grant 21-22**Introduction:**

A grant of £38523 was provided to Tewkesbury Borough Council to support COVID-19 compliance and enforcement activities. Initially the monies were to be spent by March 2021, however, this was extended to 19 July 2021. The date that the Government initiated Step 4 recovery. Assurance needed to be provided that monies had been spent in accordance with the grant conditions and in a timely manner. In this connection a declaration was required to be signed by the Chief Audit Executive and Chief Executive Officer (or similar).

Risk identified:	Level of Control:	Overall opinion:	Recommendations:
The Local Authority compliance and Enforcement Grant monies were not used to cover COVID-19 compliance and enforcement costs as per the condition of the grant and incurred upto 19 July 2021 (start of Step 4 Government Roadmap)	Substantial	<p>The Local Authority compliance and enforcement grant monies have been spent in relation to COVID-19 compliance and enforcement matters as per the condition of the grant and these costs were incurred up to 19 July 2021 (start of Step 4 Government Roadmap)</p> <p>A declaration form signed by the Chief Audit Executive has now been issued.</p>	None

CORPORATE IMPROVEMENT WORK**Discretionary Housing Payments****Client: Revenues and Benefits Manager**

The role of Internal Audit has been to assist in the checking of DHP assessments. This has resulted in advice being provided to the Revenues & Benefits Manager in relation to policy amendments and establishing separate application processes for Housing Benefit and Universal Credit applicants.

IT Systems**Client: IT First Line Team Leader**

In relation to IT systems, the role of Internal Audit over the past through months has been to review the following policies and provide advice in relation to demonstrating effective policy controls:-

- Asset Management Policy
- Asset Control Policy
- Change Control Policy

House Clearances for Deceased Persons**Client: Finance Manager**

On very rare occasions Environmental Health undertake house clearances in respect of a deceased person where money is found within premises and requires banking. An advisory note was written for the Finance Manager to discuss with Environmental Health in relation to risks and mitigating controls to the clearance process. Supporting forms were also created in relation to the receipting and dispersal of proceeds.

Service and Responsible Officer(s)	Audit & Recommendation:	Rec. Rating	Expected Implementation date:	Findings
Service: Corporate Services- Responsible Officer(s): Head of Corporate Services	Risk Management Audit 2019-20 Risk Management' should be included as a standard agenda item for all team meetings to encourage discussion around existing and emerging operational risks.	Low	Dec-21	This recommendation has been mitigated. Risk management will now be raised through the Operational Manager's meetings. On a quarterly basis, the corporate risk register will be considered by the Operational Managers with the expectation that risk issues associated with the services will be cascaded to staff through this meeting group.

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.

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Level of control

Level of control:	Definition:	Guidance:
Substantial	Substantial assurance- A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	No audit recommendations or no more than 3 low priority (3) recommendations.
Reasonable	Reasonable assurance- There is generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	No more than 2 medium priority (2) recommendations, possibly with some low (3) recommendations.
Limited	Limited assurance- Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Between 1 and 3 high priority (1) and possibly several other priority recommendations OR 3 or more medium (2) recommendations.
No Assurance	No Assurance- Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	4 or more Priority 1s OR 6 or more medium priority (2) recommendations.

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit and Governance Committee
Date of Meeting:	24 March 2022
Subject:	Internal Audit Six Month Plan 2022/23
Report of:	Head of Corporate Services (Chief Audit Executive)
Corporate Lead:	Chief Executive
Lead Member:	Lead Member Corporate Governance
Number of Appendices:	1

Executive Summary:

The Public Sector Internal Audit Standards (PSIAS) REF 2010 (Planning) requires that the Chief Audit Executive (CAE) is responsible for developing a risk-based plan. Ref 2030 (Resource Management) requires that the CAE must also ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the plan.

Recommendation:

To APPROVE the Internal Audit Six Month Plan 2022/23 (April-September 2022) as detailed in Appendix 1.

Reasons for Recommendation:

1. The Terms of Reference of the Audit and Governance Committee require Members to consider a summary of proposed internal audit activity.
2. The PSIAS requires that the CAE reports functionally to the Board, an example of functional reporting is approving the Internal Audit Plan.

Resource Implications:

The undertaking of an audit will require the support and engagement of individual services.

Legal Implications:

None.

Risk Management Implications:

If an Internal Audit Plan is not developed and approved, there will be no steer as to where audit resources should be deployed.

If the plan does not give adequate coverage of the internal control environment, resources will not be deployed effectively to the higher risk areas.

Performance Management Follow-up:

The Audit and Governance Committee receive at each meeting, a monitoring report on achievement against the plan, and an audit opinion for each individual audit. Any audit within the plan where recommendations have been made to improve control are subject to a follow-up audit. Progress in implementing internal audit recommendations is reported to each Audit and Governance Committee.

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

- 1.1** Internal audit sits within the Corporate Services group and has direct reporting to the Chief Executive. This arrangement demonstrates compliance with PSIAS ref 1110 – organisational independence, as it allows the Head of Corporate Services (delegated as CAE within the audit charter) to report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. Safeguards have been put in place to protect the independence of the CAE, given the operational responsibilities of the role.
- 1.2** PSIAS ref 2010 – planning, requires that the CAE is responsible for developing a risk-based plan to take into account the requirement to produce an annual internal audit opinion. The input of senior management and the Board (Audit and Governance Committee) must be considered in the process. The plan has been endorsed by Corporate Management Team.
- 1.3** The setting of a six month plan enables a flexible approach to be taken to audit planning. Rather than setting a rigid annual plan, this approach recognises the changing environment the Council operates in particularly around its transformation agenda. It allows audit planning to better track and respond to the audit of developing risk areas. In terms of auditing the strategic risks facing the Council, the Corporate Risk Register helps inform the work of internal audit.

2.0 PUTTING TOGETHER THE PLAN

- 2.1** In normal circumstances the plan would be resourced and delivered by two full time equivalent (FTE) members of staff. Currently, the team is resourced with 1.5 FTE made up of the Senior Internal Auditor (18.5 hrs) and a full time Internal Auditor – the latter is a temporary 12 month post funded from a new burdens grant. The net available days based on the 1.5 FTE is estimated around 145 days. Within the budget reserves, to support the internal function is a £10,000 reserve for 2022/23 and £10,000 carry forward from 2021/22. This is ringfenced for technical ICT audit work and, in terms of days, this should roughly equate to an annual total of 40 days. The total available audit days including the ICT audit work, for the period April to September is therefore 165 days. This resource is deemed appropriate, sufficient and will be 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. Overall, it is really positive the team is back and running, adding value to the Council's improvement and assurance framework.

2.2 In addition to the above, one permanent member of the team (1FTE) currently remains re-deployed to the COVID-19 business cell and heads up the post grant assurance work. It is anticipated this officer will return to the internal audit role for around 75% of the time in July 2022. Another permanent member of the team (0.5 FTE) has been deployed full time on information governance related work. A permanent Information Governance Officer post was approved as part of the 2022/23 budget setting. In discussion with the Head of Finance and Asset Management, it is the intention to provide further additional temporary resource for the second half of the financial year and this will be reflected within the next six monthly plan.

2.3 The plan (see Appendix 1) takes into account key areas as follows:

2.4 Corporate Risk Register

It is important the Committee gain assurance that risks reported within the register are being managed. Internal audit will, on a rolling basis, review individual risks and ascertain that mitigating controls are actually in place, working effectively and there is progress in implementing actions to mitigate the risk further.

2.5 Governance related

These are typically audits which are not a recognised service area but are frameworks or systems which underly the Council's overall governance framework.

2.6 Corporate Improvement

This is an allocation of days, specifically requested by Corporate Management Team. This is ad hoc work and can either be of a consultancy or assurance type nature. Using the independence of internal audit can help inform the Corporate Management Team of specific issues when a need arises or utilise internal audit to undertake a piece of work where there may not be available resource.

2.7 Financial Systems

This is the audit review of the key financial systems which inform the year end Statement of Accounts. Although internal audit sits within the Chief Executive's Unit, it still recognises its responsibility to support the Head of Finance and Asset Management to discharge his duties as the Council's Section 151 Officer, one of which is to maintain sound financial control. It has previously been reported to Audit and Governance Committee, both by internal audit and external audit, the Council has good financial control. On this basis, the individual financial systems can be audited on a rolling basis.

2.8 Service area related activity

These are service-related activities that have been risk assessed based upon factors such as size of budget, inherent risk, previous audit history and the period since last audit. Very often this does not require any sophistication to the assessment as fundamental changes to service-related activity tend to be the main identifier or the time since the last audit.

2.9 Other areas

- There is an allocation of days under 'consultancy and advice'. This covers representation at corporate groups such as the Keep Safe, Stay Healthy Group, Programme Board and individual project groups. The days also cover general advice given on an ad hoc basis such as advice on procurement, financial procedure rules, data retention etc.
- An estimated number of days are allocated for follow-up reviews. This is an important element of audit work to provide assurance as to whether audit recommendations have been successfully implemented.

3.0 OTHER OPTIONS CONSIDERED

3.1 None

4.0 CONSULTATION

4.1 Consultation has taken place with Corporate Management Team.

5.0 RELEVANT COUNCIL POLICIES/STRATEGIES

5.1 Internal Audit Charter.

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 Internal Audit contribute to VFM through their routine audit work and corporate improvement work.

10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

10.1 None.

Background Papers: None

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

Appendices: Appendix 1 – Internal Audit Plan Six Month Plan 2022/23 (April – September)

Tewkesbury Borough Council

Internal Audit Plan 2022/23

(April 2022 to September 2022)



Internal Audit Plan 2022/23

The internal audit plan represents a summary of the proposed audit coverage that the internal audit team will deliver throughout the first six months of the 2022/23 financial year.

Introduction and objective of the Audit Plan

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

Each year the Chief Audit Executive, in conjunction with Senior Management, sets out proposed audit plans for April to September, and also October to the following March.

The objective of this planning process is to provide an annual audit opinion, based on sufficient and appropriate coverage of key business objectives and associated risks.

The outcomes of each of the audits should provide senior management and members with assurance that the areas audited and associated risk is effectively managed. Where improvements are required then this will be supported with appropriate recommendations.

When undertaking individual audit engagements an opinion is given for each element of the system being audited. The definitions used are standard definitions as recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and accord with the definition of internal audit as prescribed within the Public Sector Internal Audit Standards (PSIAS). The four definitions used are as follows:

- **Substantial Assurance** – “A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.”
- **Reasonable Assurance** – “There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.”
- **Limited Assurance** – “Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.”
- **No Assurance** – “Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.”

In applying the most appropriate level of opinion internal auditors will use their professional judgement, based on the results of the audit, consideration of risk and consequences of areas of weakness for the organisation. The opinion concluded is informed by the number of recommendations made and the category of those recommendations. There are three categories: high, medium and low.

The internal audit planning process recognises the difficulty in predicting longer term planning. Having a flexible approach and an audit programme set at six monthly intervals, allows internal audit to adjust the audit programme in line with changes made to the council's risk register, operations, and systems. It must be recognised that the council has an extensive and complex array of systems, processes and frameworks which overall informs the council's internal control environment. Therefore, internal audit coverage can never be absolute and is limited to the area being audited at that point in time. Responsibility for risk management, governance and internal control arrangements remains fully with management. Internal audit is an arm of effective management.

To give adequate coverage of the council's risk, governance and internal control environment the plan is broken down across those sub-headings. In addition, days are allocated to do follow up work i.e. confirm the implementation (or not) of previous internal audit recommendations, also for corporate improvement work – this is where internal audit can lead or deliver on specific projects or policies. The plan is based on 'net' productive days after taking account of days allocated for any annual leave, an allowance for sickness absence, training days etc.

Proposed Internal Audit Plan 2022/23 (April 2022 – September 2022)

Areas of coverage and brief scope	Responsible officer
Corporate risk register	
The risk register is a high-level corporate document presented at each Audit and Governance Committee meeting. The document captures the details of the risk, it's impact upon the council, the controls in place to mitigate the risk and any further mitigating action points. The risks are audited on a rolling basis to give management and member's assurance that controls in place are effective and action points are being progressed.	Heads of Service
Governance related	
Complaints – previously reported to this committee and also to the Overview and Scrutiny Committee was the role of internal audit to provide independent assurance that lessons learnt from individual complaints had actually been implemented. A small sample of complaints will be reviewed and followed up with individual service areas.	Heads of Service
Financial	
Treasury Management (investments) – the audit will look to gain assurance that the circa £25m currently invested with various counterparties is in compliance with the approved treasury management strategy and policy. The audit will also review key controls around supporting governance processes such as an adequate separation of duties exist to deter fraud and error, reconciliation to the main accounting system, an adequate audit trail of supporting documentation, the correct receipt of interest etc.	Finance Manager
Service related	
Recruitment (E-Ploy) – the implementation of a new and modern recruitment portal for prospective employees has brought reputational benefit and significant efficiencies through the removal of manual processes. The audit will review the key elements of the new system to confirm they are working effectively and in accordance with any related policies.	HR and Organisational Development Manager
Bulky Waste – a whole new service was implemented in April 2021. This included the commissioning of a new service provider, the introduction of a recycling provision, a complete review of charges and the implementation of an on-line booking system. The audit will review the collection of charges and they are in line with what was approved and accurately receipted, the service is delivered in accordance with the contract and the robustness of the booking system.	Waste Manager
S106 agreements – the audit will review the effectiveness of the key elements of the S106 process. This will include there are appropriate arrangements in place to manage the receipt and expenditure of S106 contributions.	Head of Development Services
Car parks – the council receives a significant amount of income from off street parking. The budgeted income for 2022/23 is £628k and relates to parking fees, permits and excess charges. New machines have recently been installed that provides a cashless method of payment. The audit will look at the income collection procedure to ensure fees are collected, managed and reconciled in accordance with approved charges and related policies.	Asset Manager
Cemeteries – the audit has been requested by the Asset Manager to give assurance that income is collected in accordance with approved fees and charges and cemetery related documentation and systems are managed appropriately.	Asset Manager

Proposed Internal Audit Plan 2022/23 (April 2022 – September 2022)

Areas of coverage and brief scope	Responsible officer
<p>ICT – a reserve has been set aside for the commissioning of specialist ICT audit work – the scope of this work will be agreed early in the 2022/23 financial year. In addition, it is also proposed the internal audit team will undertake a piece of work to review the ICT asset inventory. Significant numbers of additional laptops were purchased to support the council’s response to the pandemic through home working. This will look to gain assurance they are accounted for, recorded and issuing, return and disposals procedures are adequately managed.</p>	<p>ICT Manager</p>
<p>Corporate improvement</p>	
<p>This is ad hoc work and can either be of a consultancy or assurance type nature. Using the independence of internal audit can help inform CMT of specific issues when a need arises or utilise internal audit to undertake a piece of work where there may not be available resource. A piece of work identified and where resource is required immediately is the delivery of the of the Energy Rebate Scheme. The Government will provide funding for billing authorities to give all households in England, whose primary residence is valued in council tax bands A – D a one-off council tax energy rebate payment of £150. This payment will operate outside of the council tax system, using council tax lists to identify eligible households. The Government will also provide funding for billing authorities to operate a discretionary fund for households in need who would not otherwise be eligible. This could include, for example, individuals on low incomes who live in properties valued in bands E – H. Overall, in excess of 30,000 payments will need to be made.</p>	<p>Corporate Management Team (CMT)</p>
<p>Consultancy & Advice (including representation of Corporate Group)</p>	
<p>As part of the role of internal audit it is inevitable the team will be approached from time to time to provide ad-hoc advice. The team welcomes such approaches and these are often around contract procedure rules, financial procedure rules, proposed system changes etc</p>	<p>Chief Audit Executive</p>
<p>Follow up reviews</p>	
<p>A key part of the work of internal audit is to follow up previous recommendations with relevant services to gain assurance they have been implemented. The date of follow up is driven by the agreed implementation date. The outcome of this work is reported at each Audit and Governance Committee meeting via the internal audit monitoring report. There are 17 recommendations (1 high, 10 medium and 6 low) currently programmed to be followed up within quarter 1-2. These are across various subject areas and include project management, Ubico health and safety and discretionary housing payments.</p>	<p>Heads of Service and Operational Managers</p>

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit and Governance Committee
Date of Meeting:	24 March 2022
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 compliance with PSIAS.

Resource Implications:

None arising directly from this report.

Legal Implications:

None.

Risk Management Implications:

If the CAE does not report functionally to the board, this does not comply with PSIAS. If the Internal Audit team does not continually challenge itself to improve, 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 each Audit and Governance Committee. Progress in delivering the actions within the Quality Assurance and Improvement Programme will also be summarised and reported on an annual basis.

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 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. The proposed Quality Assurance and Improvement Programme is attached at Appendix 1.

2.2 As per PSIAS, the Quality Assurance and Improvement Programme is designed to enable an evaluation of the internal audit activity's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

2.3 Standards 1311 and 1312 of PSIAS require the Quality Assurance and Improvement Programme must include both internal and external assessments. With regards to the former, this refers to the ongoing monitoring of the service and relates to the integral day-to-day supervision, review and measurement of the internal audit activity. With regards to the latter, this is an independent review of internal audit that must be carried out by a qualified assessor, at least once every five years.

2.4 To demonstrate conformance with the Code of Ethics and the Standards, the results of external and periodic internal assessments should be communicated upon completion of such assessments and the results of ongoing monitoring are communicated at least annually. In practical terms, with regards to internal assessments, this is generally achieved through the regular internal audit monitoring report and the CAE's annual report. With regards to an external assessment, then the final report would be presented to the Committee.

2.5 The previous external assessment was undertaken in November 2017 with a formal report presented to the then Audit Committee on 28 March 2018. In compliance with PSIAS, an assessment is therefore due in 2022. A pragmatic approach would be to undertake this during the latter quarter of 2022/23. This would enable the internal audit function to be fully recovered as a result of the team's previous redeployment to the Council's COVID-19 response. The Committee will be updated as this progresses.

2.6 The improvement element of the Quality Assurance and Improvement Programme has been translated into a high level service plan for internal audit. In particular, this includes actions around the recovery of the internal audit function which is a key action within the Corporate COVID-19 Recovery Plan.

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

6.0 RELEVANT GOVERNMENT POLICIES

6.1 Public Sector Internal Audit Standards (PSIAS)

7.0 RESOURCE IMPLICATIONS (Human/Property)

7.1 There will be financial resource requirements with individual actions e.g. undertaking of an external assessment.

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 VFM through their improvement work and specific actions with the improvement programme may delivery VFM outcomes.

10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

10.1 None.

Background Papers: None

Contact Officer: Chief Audit Executive
01684 272002 graeme.simpson@teWKesbury.gov.uk

Appendices: Appendix 1 - Quality Assurance and Improvement Programme

Internal Audit

Quality assurance and improvement programme

In accordance with standard 1300 of the Public Sector Internal Audit Standards (PSIAS) the Chief Audit Executive (CAE) must develop and maintain a quality assurance and improvement programme (QAIP) that covers all 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 CAE. The QAIP must include both internal assessments and external assessments. The programme has been developed so it is proportionate and practical for the small size of the internal audit team (2FTE).

Bi-Annual Plan

132 The work of the team is directed by a bi-annual audit plan. The six monthly plan is drawn together by the CAE. For further quality assurance purposes, the plan is presented at corporate management team for endorsement before it is presented to Audit and Governance Committee for formal approval.

Once approved the plans are profiled in consultation with relevant managers. The plan is monitored regularly by both the CAE and senior auditor. Progress on delivering the plan is also discussed at regular team meetings. Progress on delivery of the plan is reported to each Audit and Governance Committee meeting. In addition, a quarterly meeting is held with the Lead Member for Corporate Governance and the Chair of Audit and Governance Committee to update on internal audit related work.

Internal Audit Process - overview

During the course of the audit, individual auditors tend to work on their own initiative. If need be, the small size of the team does make it easy for auditors to discuss any issues that may arise, particularly if it requires management input either from the senior auditor or CAE.

Prior to undertaking an audit, the assignment brief (scope of the work to be undertaken) will be discussed with the customer. This will include but not limited to the identification of the key risks of the area to be audited, particularly if it is a new area of audit or there have been fundamental changes to a current system. All assignment briefs will be reviewed and approved by the CAE. For service areas that are being audited and fall within the managerial remit of the CAE, then assignment briefs will be signed off by chief finance officer - this arrangement is detailed further within the internal audit charter.

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.

Following completion of all working papers, findings are summarised within a draft report including any

recommendations. Each internal control element of the system or area audited will draw a conclusion on how well managed that element is. The number and significance of recommendations made will directly inform that conclusion. The CAE will review all draft reports.

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. 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.

Client Survey

The final report and recommendations are sent to the client together with a client survey form. The completion of the form is encouraged but is not mandatory. Completed forms are returned to the CAE for review and appropriate action taken where necessary. Every two years, a survey is sent to each Head of Service. This is different to the operational type survey and is more strategic in nature. For example, to ask questions around the value of internal audit.

133 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

By applying the requirements of PSIAS this naturally contributes to the effectiveness of the internal audit team. In addition, and without creating an industry, the team will have a small basket of performance indicators. These will be kept under review annually.

Knowledge and Networking

It is important the team keep abreast of local and national news that affect the work of internal audit. This is achieved through a number of ways;

External focus

- Continuing professional development
- Membership of the Institute of Internal Auditors
- Subscription to CIPFA
- 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 Programme Board – provides oversight on corporate projects
- Team is set up on draft committee report distribution list
- Representation on project teams or other key corporate groups
- CAE sits on management team and reports directly to the Chief Executive

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 but

regular 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, feedback from other management team members, reporting to the Audit and Governance Committee and reporting to Members generally. The CAE also has regular 1-2-1 meetings with the Chief Executive.



Quality Assurance and Improvement Programme

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 and Governance Committee. The committee itself will be updated prior to engagement and will obviously be presented with the findings of the assessment.

monitored and reported to the Audit and Governance Committee through the CAE's annual report. The improvement programme for 22/23 is attached in Appendix 1.

134 Reporting to Audit & Governance Committee

As part of the CAE's annual report, this will include details on compliance with the quality assurance framework and progress on implementing actions within the improvement programme.

Improvement programme

The audit team recognise it is important to continually review practices and implement improvement initiatives where possible. The improvement aspect of the QAIP has been translated into an annual action plan. The action plan will be



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	ACTION	DATE	OFFICER RESPONSIBLE
1	To review the service delivery model of the internal audit function.	June 2022	Chief Audit Executive and Head of Finance and Asset Management (S151 Officer)
2	To support members of the internal audit team in achieving an internal audit qualification. To include: - Support one team member in their final year of MSc - Support the business case for another team member to undertake an audit qualification	March 2023	Chief Audit Executive and Senior Auditor
3	Support the new temporary internal auditor in the undertaking of audit assignments and understanding audit related processes.	Ongoing until February 2023.	Chief Audit Executive and Senior Auditor
4	To provide resilience, investigate the potential to add an apprentice position within the team.	September 2022	Chief Audit Executive and Senior Auditor
5	Deploy the approved reserve set aside for the undertaking of ICT related audits.	March 2023	Chief Audit Executive
6	In compliance with the Public Sector Internal Audit Standards (PSIAS), procure and prepare for an independent external assessment.	December 2022	Chief Audit Executive
7	Undertake a general review of internal audit documentation and processes including: - Development of new bi-annual audit plans - Review of internal audit charter - Finalisation of an internal audit manual	September 2022	Chief Audit Executive and internal audit team

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit and Governance Committee
Date of Meeting:	24 March 2022
Subject:	Monitoring of Significant Governance Issues
Report of:	Corporate Director
Corporate Lead:	Corporate Director
Lead Member:	Lead Member for Corporate Governance
Number of Appendices:	1

Executive Summary:

The report attaches, at Appendix 1, a table incorporating the Significant Governance Issues which were identified in the Council's Annual Governance Statement, approved by the Audit and Governance Committee on 15 September 2021 and the action to be taken to address them. The table indicates the progress on those specified actions by 1 March 2022 to enable the Audit and Governance Committee to monitor progress on these actions as required by the Annual Governance Statement.

Recommendation:

To CONSIDER the monitoring report on the Significant Governance Issues identified in the Annual Governance Statement and to review progress against the actions.

Reasons for Recommendation:

To comply with the requirements of the review of effectiveness of the Council's Annual Governance Statement.

Resource Implications:

None arising from this report.

Legal Implications:

None arising from this report.

Risk Management Implications:

Risk management is an integral part of the Corporate Governance Framework and actions taken to mitigate the Significant Governance Issues will also help mitigate related business risks.

Performance Management Follow-up:

An update on the progress of implementing the Significant Governance Issues is reported to each Audit and Governance Committee meeting.

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

1.1 On 15 September 2021, the Audit and Governance Committee approved the Council's Annual Governance Statement for 2020/2021 which forms part of the Annual Statement of Accounts. The purpose of the Statement is to provide assurance that the Council's Governance Framework is adequate and effective.

1.2 As part of the Annual Governance Statement, the Council is required to identify the Significant Governance Issues faced by the Council and to set out the proposed actions to be taken to address those issues and the timescale within which those actions will be taken. The role of the Audit and Governance Committee is to monitor progress on actions arising from the Significant Governance Issues identified in the statement.

2.0 SIGNIFICANT GOVERNANCE ISSUES

2.1 The table set out at Appendix 1 comprises the Significant Governance Issues identified and the proposed action and timescale, with the addition of a further column which indicates the progress as at 1 March 2022.

3.0 OTHER OPTIONS CONSIDERED

3.1 None.

4.0 CONSULTATION

4.1 The Corporate Governance Group has been consulted on progress on the proposed actions.

5.0 RELEVANT COUNCIL POLICIES/STRATEGIES

5.1 Code of Corporate Governance.

6.0 RELEVANT GOVERNMENT POLICIES

6.1 None.

7.0 RESOURCE IMPLICATIONS (Human/Property)

7.1 None arising from this report.

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

8.1 None.

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

9.1 None.

10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

10.1 Audit Committee 15 September 2021 – Approval of Annual Governance Statement 2020/21

Council 24 June 2008 – Approval of Code of Corporate Governance

Background Papers: Annual Governance Statement 2020/2021

Contact Officer: Borough Solicitor
01684 272011 sara.freckleton@tewkesbury.gov.uk

Appendices: Appendix 1 - Monitoring of Significant Governance Issues 2020/21

SIGNIFICANT GOVERNANCE ISSUES 2020/2021

No.	Governance issue	Proposed Action	Timescale	Responsible Officer/Group	Current Position as at 1 March 2022
1.	Community Infrastructure Levy (CIL) – governance arrangements	Overall governance arrangements to be formalised between partners.	March 2022	Head of Development Services	The three JCS Local Authorities are in the process of reviewing and confirming formal arrangements.
2.	Local Code of Corporate Governance	Development and approve a new code of governance.	April 2021 September 2021 March 2022	Head of Corporate Services	Work has yet to commence as resources have been deployed to the COVID-19 response
3.	Administration of Discretionary Housing Payments (DHPs)	Implementation of internal audit recommendations including: <ul style="list-style-type: none"> • Collection and assessment of evidence to support the integrity of DHP applications. • Review of the DHP Policy including a review of non-essential items. • Independent verification check. 	December 2020 December 2021	Revenues and Benefits Manager	As recommended by internal audit, detailed financial information is collected from applicants in order to assess their application and a checklist is now used to evidence this. The DHP Policy has been reviewed and non-essential items of expenditure are excluded when determining eligibility. A new policy is being taken to Executive Committee on 30 March 2022. This is a significant policy refresh which takes into account the internal audit recommendations. Work continues on developing a new assessment and review process which will incorporate management checks before any payments are made. This will be live from 1 April 2022.

No.	Governance issue	Proposed Action	Timescale	Responsible Officer/Group	Current Position as at 1 March 2022
4.	Effective recovery of the internal audit function	Implement the internal audit recovery plan including: <ul style="list-style-type: none"> • Review and revision of the suite of outstanding recommendations and their implementation timescales. • Review of the team's quality assurance and improvement programme. • Backfill of resource that remains redeployed. 	March 2022	Head of Corporate Services	Implemented. <ul style="list-style-type: none"> • The suite of recommendations has been reviewed. New implementation dates have been agreed with relevant officers. A report confirming this was presented to Audit and Governance Committee on 15 December 2021. The follow-up of these recommendations will be programmed into the 2022/23 Internal Audit Work Plan. • The Internal Audit Quality Assurance and Improvement Programme has been updated and is an Agenda item for Audit and Governance Committee on 24 March 2022. • A temporary 12-month post has recently been recruited to.
5.	Implementation of the CIPFA Financial Code	Undertake a position statement against the code and, if necessary, produce an improvement action plan.	March 2022	Head of Finance and Asset Management	Review of code has taken place and an action plan will be presented to Audit and Governance Committee in March.

No.	Governance issue	Proposed Action	Timescale	Responsible Officer/Group	Current Position as at 1 March 2022
6.	Licensing Service Review	Undertake and complete a review of the service.	March 2022	Head of Community Services	An experienced Licensing Team Leader has been employed on a 12 month contract to support the Environmental Health Manager in undertaking this work. A number of project plans have been formulated around the various aspects of licensing that need improvement and these are being monitored by the Council's programme board to ensure the projects stay on track.