Tewkesbury Borough Council

2 December 2022

Committee	Audit and Governance Committee (Special)
Date	Monday, 12 December 2022
Time of Meeting	2:00 pm
Venue	Tewkesbury Borough Council Offices, Severn Room

ALL MEMBERS OF THE COMMITTEE ARE REQUESTED TO ATTEND

Agenda

1. ANNOUNCEMENTS

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.	**EXTERNAL AUDITOR'S AUDIT FINDINGS**	1 - 39
	To consider the external auditor's findings 2021/22.	
5.	**LETTER OF REPRESENTATION**	40 - 45
	To consider the S151 Officer's Letter of Representation on the closure of the accounts for the year ended 31 March 2021.	
6.	**STATEMENT OF ACCOUNTS 2021/22**	46 - 140
	To approve the Statement of Accounts 2021/22.	
7.	**INTERNAL AUDIT PLAN MONITORING REPORT**	141 - 146
	To consider the Internal Audit work undertaken and the assurance given on the adequacy of internal controls operating in the systems audited.	

DATE OF NEXT MEETING

WEDNESDAY, 22 MARCH 2023

COUNCILLORS CONSTITUTING COMMITTEE

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

Substitution Arrangements

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

Recording of Meetings

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.

Grant Thornton

The Audit Findings for Tewkesbury Borough Council

Year ended 31 March 2022

Tewkesbury Borough Council

28 November 2022

Agenda Item 4

Contents

Your key Grant Thornton team members are:

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

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

Name: Julie Masci
For Grant Thornton UK LLP
Date: 28 November 2022

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Tewkesbury Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2022 for those charged with governance.

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Financial Statements	
Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion: • the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.	Our audit work was completed in a hybrid manner during September-November. Our findings are summarised on pages 5 to 21. We have not identified any audit adjustments affecting the primary financial statements, although we have identified a number of presentational and disclosure adjustments. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B. Our work is substantially complete, but there are a small number of areas still to conclude as outlined below. There are no matters of which we are aware that would require modification of our audit opinion (Appendix E) or material changes to the financial statements, subject to completion of the following; • completion of our testing of CIL balances; • completion of our testing of housing benefits income; • completion of our testing of journal entries; • receipt of our pension fund auditor assurance letter; • completion of our internal quality review process, including final reviews of the file by both the manager and key audit partner and finalisation of any review points raised; • receipt of management representation letter; and • review of the final set of financial statements. We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited. Our anticipated audit report opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

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

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in Appendix G to this report. We expect to issue our Auditor's Annual Report by 28 February 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our 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. We identified two risks in respect of the development of financial plans and the assurance provided by the Council's internal audit function. We will consider these risks as part of our Value for Money work as detailed on page 20.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in February 2023.

Significant Matters

There are no significant matters to report.

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

- An evaluation of the Council's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our audit plan, as communicated to you on 20 July 2022.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Governance Committee meeting on 12 December 2022, as detailed in Appendix E. These outstanding items are detailed on page 3.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff, in particular in making themselves available for us to complete part of our audit work on site which was of significant benefit in progressing the audit.

2. Financial Statements

Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan on 20 July 2022.

We detail in the table below our determination of materiality for Tewkesbury Borough Council.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	835,000	Financial statement materiality was determined based on a proportion of the gross expenditure of the Council for the financial year.
Performance materiality	626,000	Set at 75% of materiality.
Trivial matters	41,000	Set at 5% of materiality

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.	We have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness • evaluated the rationale for any changes in accounting policies, estimates, or significant unusual transactions Our audit work to date has not identified any issues in respect of management override of controls.
ISA240 revenue risk – the Council's reported revenue contains fraudulent transactions (rebutted) Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Tewkesbury Borough Council, mean that all forms of fraud are seen as unacceptable. Therefore we do not consider this to be a significant risk for Tewkesbury Borough Council.
Risk of fraud related to expenditure recognition PAF Practice Note 10 (rebutted) In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period)	We have rebutted this presumed risk for Tewkesbury Borough Council because: • expenditure is well controlled and the Council has a strong control environment; and • the Council has clear and transparent reporting of its financial plans and financial position to the Council. We therefore do not consider this to be a significant risk for Tewkesbury Borough Council.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings and investment property The Authority revalues its land and buildings on an annual basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date. This valuation represents a significant financial statements estimate by management due to the size of the balances involved and the sensitivity of this estimate to changes in key assumptions. Management have engaged the services of a valuer to estimate the current value as at 31 March 2022. We have therefore identified the valuation of the closing balance of land and buildings and investment property as a significant risk.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert; • written to the valuer to confirm the basis on which the valuations were carried out ; • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and • tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register Our audit work on property, plant, and equipment has identified one issue in relation to the input of the revaluations made in year, where revaluation gains were charged to the surplus/deficit on provision of services instead of the revaluation reserve. This resulted in an adjustment of £602k which is reflected on the face of the Comprehensive Income and Expenditure Statement and in the reserves balances in the Statement of Financial Position and the Movement in Reserves Statement. Our audit work on investment property has not identified any issues.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of pension fund defined benefit net liability The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£28.035m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% +/- change in these two assumptions would have approximately 2% +/- effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation, and as such we have identified valuation of the Council's pension fund net liability as a significant risk.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtained assurances from the auditor of Gloucestershire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. Our audit work to date has not identified any issues in respect of valuation of the pension fund liability. As per page 3, our work will be finalised on receipt of our assurance letter from the pension fund auditor.

2. Financial Statements – new issues and risks

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

Issue	Commentary	Auditor view
Recognition and Presentation of Grant Income • The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal/agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income	The Council prepared a working paper setting out their consideration of each grant received and its judgements on its basis for accounting. As part of our work we have considered: • whether the Council is acting as the principal or agent which would determine whether the authority recognises the grant at all • the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income • the impact for grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the Comprehensive Income and Expenditure Statement (CIES). • the adequacy of disclosure of judgements in the financial statements	We reviewed the Council's assessment of whether it was acting as a principal or agent and concluded that their assessment and judgements were reasonable. No issues were identified in the Council's assessment. However, we noted one grant for £150k, which related to the 2022/23 financial year but had been recognised in the 2021/22 year. We have performed further testing over the recognition of grants and identified no further issues.
Quality of working papers • During the course of our work, we noted some instances where key working papers and audit evidence in year was not of the appropriate quality, or receipt was delayed. In particular, the papers supporting note 8 to the accounts included several errors which significantly overstated the balances in the note due to double-counting of transactions, and evidence provided for testing of year-end payments made and received was initially insufficient and required re-working by finance officers.	The Council has generally provided high-quality working papers in previous years, with clear audit trails which have enabled auditors to easily reconcile balances and perform audit sampling and testing. Whilst overall, most working papers have been prepared to the required standard, in some areas this has not been achieved requiring additional audit input and follow up to address errors and queries identified.	

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £25m	Other land and buildings comprises £13.880m of specialised assets such as leisure centres and cemeteries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£11.123m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Wilks Head and Eve to complete the valuation of properties as at 31 March 2022 on an annual basis. All assets were revalued in 2021/22. The total year end valuation of land and buildings was £25.003m, a net increase of £0.908m from 2020/21 (£24.095m).	We have: • Assessed the competence and expertise of management's expert; • Reviewed the completeness and accuracy of the underlying information used to determine the estimate; • Reviewed the assumptions used by the expert, including the floor areas, yields, and build rates; • Ensured that there has been no changes to the method used to revalue the assets, and ensured that the method is suitable for the different classes of the assets; • Considered the adequacy of disclosure of the estimate in the financial statements. We have not identified any material issues with the estimate from our testing.	Light Purple

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £61.553m	Investment properties comprise £61.553m of assets held for rental income and/or capital appreciation. Investment properties are required to be held at fair value under the CIPFA Code of Practice. The Council has engaged Wilks Head and Eve to complete the valuation of properties as at 31 March 2022. All assets were revalued in year as required by the Code of Practice. The total year end valuation of investment property was £61.553m, a net increase of £0.524m from 2020/21 (£61.029m).	We have: • Assessed the competence and expertise of management's expert; • Reviewed the completeness and accuracy of the underlying information used to determine the estimate; • Reviewed the assumptions used by the expert, including the yields; • Ensured that there has been no changes to the method used to revalue the assets, and ensured that the method is suitable for the different classes of the assets; • Considered the adequacy of disclosure of the estimate in the financial statements. There are no significant issues arising from our work in respect of the investment property valuation estimate.	Light Purple

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £28.035m	The Council's net pension liability at 31 March 2022 is £28.035m (PY £36.974m) comprising the Gloucestershire Pension Fund defined benefit pension scheme obligations. The Council uses Hymans to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £8.939m net actuarial gain during 2021-22.	We have: • Assessed management's expert • Assessed the actuary's approach taken and deemed it reasonable • Used PwC as auditor's expert to assess actuary and assumptions made by actuary (see table below) • Confirmed the completeness and accuracy of the underlying information used to determine the estimate • Confirmed the reasonableness of the Authority's share of LPS pension assets. • Confirmed the reasonableness of the decrease in the liability estimate • Confirmed the adequacy of the disclosure of the estimate in the financial statements Our audit work to date has not identified any issues in respect of the valuation of the pension fund net liability. We have queried the salary growth rate which is below our expert's anticipated range, and been provided with appropriate evidence to support this assumption. Our work in this area is still in progress, subject to receipt of the assurance from the Pension Fund auditor.	Light Purple

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.7%	2.70% - 2.75%	● Green
Pension increase rate	3.2%	3.15% - 3.30%	● Green
Salary growth	3.5%	3.65% - 5.80%	● Green
Life expectancy – Males currently aged 45 / 65	22.6 / 21.7	21.9 – 24.4 / 20.5 – 23.1	● Green
Life expectancy – Females currently aged 45 / 65	25.8 / 24.1	24.9 – 26.4 / 23.4 – 25.0	● Green

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions for NNDR appeals	The Council is responsible for repaying a proportion of successful rateable value appeals. Management calculates the level of provision required. Tewkesbury's calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. The provision has increased by £0.6m in 2021/22.	We have: • assessed the appropriateness of the underlying information used to determine the estimate; • We have reviewed the impact of any changes to valuation method; • Reviewed the reasonableness of increase in estimate; and • Confirmed the adequacy of disclosure of the estimate in the financial statements. • Reviewed the statistics used in the underlying 2010 list calculations, to confirm they are appropriate and up-to-date. Our work in this area has concluded that the Council's estimate is materially accurate.	Light Purple

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £0.882m	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The year end MRP charge was £882k, a net increase of £242k from 2020/21.	We have reviewed the estimate by: • assessing whether the MRP has been calculated in line with the statutory guidance; • assessing whether the Council's policy on MRP complies with statutory guidance; • reviewing the reasonableness of the increase in the MRP charge Our work has not identified any issues in regards to the Council's calculation of MRP. Government has consulted on changes to the regulations that underpin MRP, to clarify that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted. The consultation highlighted that the intention is not to change policy, but to clearly set out in legislation, the practices that authorities should already be following. Government will issue a full response to the consultation in due course. The Council's MRP calculation has not included any such use of capital receipts.	Light Purple

Assessment

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

2. Financial Statements - Internal Control

Assessment	Issue and risk	Recommendations
●	In 2020/21, the Internal Audit function was redeployed to support other Council functions, and as a consequence no internal audit reports were completed in year, leading to a limitation of scope in the annual Head of Internal Audit Opinion. Although some limited internal audit work was undertaken in 2021/22, the Head of Internal Audit Opinion was again a limitation of scope. We have identified this lack of assurance over the operation of the Council's internal controls as a risk of significant weakness in our Value for Money work. However, it also represents a significant deficiency in internal control for our audit of the statement of accounts.	Although we understand the business rationale for the Council's decision to redeploy its resources to manage the unexpected additional resource requirements from the Covid-19 pandemic, internal audit plays a critical role in providing assurance over the operation of the Council's control environment. We therefore recommend that the planned programme of internal audit be performed as urgently as possible, including the catch-up work required to deliver those outstanding to date. **Management response** The internal audit function is now fully operational following the conclusion of the workstream to support the payment of covid-19 business grants with outstanding actions relating to post payment assurance being undertaken by other service areas. No internal audit resource was drawn upon to support the payment of energy rebates earlier in the year and this will again be the case for the newly announced requirement for local government to support the Alternative Funding for Household Energy Bills. Additional funding has been provided to the Internal Audit service to support increased capacity in year and the Audit & Governance Committee has approved the Internal Audit work programme for both H1 and H2 in the current financial year. Internal audit opinions have been reported to each of the Audit and Governance committees held in 2022. This includes work not factored into the internal audit plan such as the sign off of covid related grants. The audit plan will be delivered in full for 2022/23 including the follow up of previous internal audit recommendations and with renewed focus on risks within the corporate risk register.
●	Our initial review of Civica users identified a number of accounts belonging to inappropriate users. Some users identified were ex-employees who had left the Council previously but still had user accounts, while others were Grant Thornton employees who were set up as users for the purpose of housing benefits testing who were no longer involved in the audit. These leavers should have had their access removed promptly but this was not the case. Subsequent to identifying this issue and raising it with Council officers these user accounts were disabled; however, the ability to enable and disable user access is available to the finance team.	Access to applications is an essential control which should properly be managed by IT and if possible removed from non-IT users. A reference to this has also been made in the Action Plan as per Appendix A. **Management response** Access to the finance system application can only be made via Windows authentication. The IT team manage user access to the TBC environment and remove any users following confirmation of an employee termination by the HR team. The Finance team manage access levels within the finance system and again access is updated following the monthly confirmation of employee terminations. It is not possible to delete some old users of the system who have created journals etc in previous years as this would delete and corrupt the system history but every account is suspended for such individuals. IT have no knowledge of access levels or monetary approval levels for staff as this is administered and controlled by Finance and therefore passing on responsibility for system access management is not considered appropriate, particularly given the overriding network control in place.

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

2. Financial Statements - other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which is included in the Audit and Governance Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banker. This permission was granted, and the requests were sent. These requests were returned with positive confirmations.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements - other communication requirements

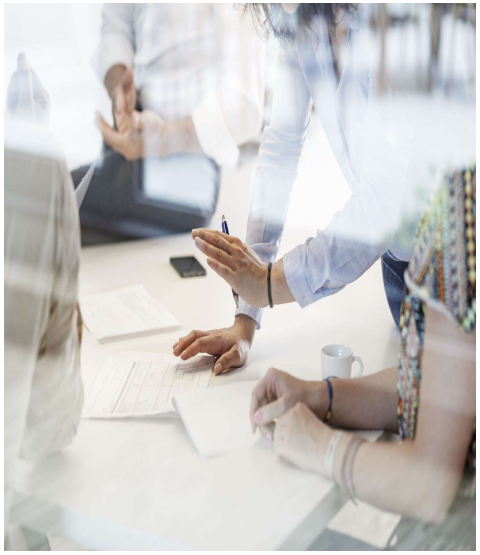
Our responsibility

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

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix E.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Note that work is not required as the Council does not exceed the threshold. We are still awaiting the NAO's instructions regarding the WGA assurance statement in 2021/22.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2021/22 audit of Tewkesbury Borough Council in the audit report, as detailed in Appendix E, due to incomplete VFM work and the delay in WGA as above.



3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by 28 February 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our 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. We identified two risks as set out in our audit plan and re-presented below for convenience. We will perform further procedures in respect of these risks as part of our ongoing VFM procedures, and will report on our conclusions on them in our Auditor's Annual Report.

Risks of significant weakness

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.

The Council's arrangements for securing financial sustainability into the medium term

The Council set a balanced budget for 2021/22, but the longer term picture looks more challenging with a £7.4m gap identified over the period to 2025/26.

There is a risk that financial plans are not sufficiently developed to close the funding gap, particularly as there has not yet been an updated MTFS produced covering the 2026/27 year, which in turn could impact on the council's ability to deliver services.

Due to the inherent uncertainty we have concluded that there is a significant risk of weakness in arrangements for delivery 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 (pending the production of the updated MTFS), and review savings plans.

Pervasive and significant weaknesses in internal controls

In 2020/21, the Internal Audit function was redeployed to support other Council functions, and as a consequence no internal audit reports were completed in year, leading to a limitation of scope in the annual Head of Internal Audit Opinion.

As such, there is a lack of assurance over the operation of the Council's internal controls, and we have concluded that there is a significant risk of weakness in arrangements relating to these. We will review the work of Internal Audit in 2021/22, and in particular their progress in "catching up" on the intended programme which was not delivered in 2020/21.

4. Independence and ethics

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

One matter to bring to your attention relates to the period of audit held by the engagement partner, which in the case of Tewkesbury Borough Council has been held for a period of 6 years. It is PSAA's policy that Key Audit Partners at an audited body at which a full Code audit is required should act for an initial period of five years.

Under FRC Ethical Standard 3.15, for a public interest or listed entity, in circumstances where a degree of flexibility over the timing of rotation is necessary to safeguard the quality of the engagement and the firm agrees, the engagement partner may continue in this position for an additional period of up to two years, so that no longer than seven years in total is spent in the position of engagement partner. Tewkesbury Borough Council is not a pubic interest entity, however in accordance with PSAA's terms of appointment, we have sought and obtained approval from PSAA for this extension.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were charged from the beginning of the financial year to November 2022, as well as the threats to our independence and safeguards that have been applied to mitigate these threats..

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	35,000	Self-Interest (because this is a recurring fee) Self review (because GT provides audit services)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £35,000 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

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

5. Audit Market Developments

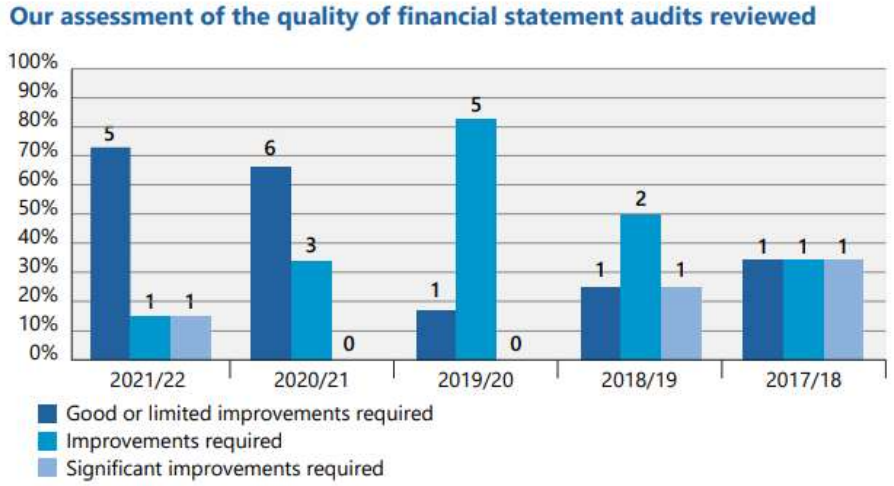
Financial Reporting Council Report On The Quality Of Local Audit

In late October 2022 the Financial Reporting Council (FRC) published its inspection findings into the quality of major local body audits in England, which includes large health and local government bodies.

The Quality Assurance Department (QAD) of the Institute of Chartered Accountants in England and Wales (ICAEW) inspects a sample of local audits that do not meet the definition of a 'major' local audit and the FRC's report also includes a summary of their findings.

The FRC reported that 71% of Grant Thornton audits inspected (7 in total) were assessed as either good or limited improvements required.

This is a pleasing result and reflects on our significant investment in audit quality over recent years. The positive direction of travel over the past five years is illustrated below:



The FRC also inspected our work on VfM arrangements at four bodies.

It is pleasing to note that all of these inspections were assessed as requiring no more than limited improvements (which is the same as the previous year).

As far as the ICAEW are concerned, overall, the audit work reviewed was found to be of a good standard.

Seven of the eight files reviewed (88%) were either 'good' or 'generally acceptable', but one file 'required improvement'.

The ICAEW identified one of our files requiring 'Improvement' – but it should be noted that this was a 2019-20 file and therefore the learnings from prior years' review could not have been taken into account, an issue recognised by the ICAEW in their report to us.

The ICAEW found that our VfM work was good on each of the files reviewed, and they did not identify any issues with this aspect of the audit teams' work.

Whilst are pleased with our continuing improvement journey, we continue to invest in audit quality to ensure that the required standards are met.

The full report can be found here.

5. Audit Market Developments (continued)

Local Government External Audit Procurement

Public Sector Audit Appointments Ltd (PSAA) has recently announced the outcome of its national procurement of audit services across the Local Government sector.

This exercise covers the audits from 2023/24 to 2027/28 and covers the 470 local government, police and fire bodies (99% of eligible local bodies) that opted into the national scheme.

We are delighted to have been reappointed as the largest supplier of local government audit. The public sector has played a significant role within the firm for over 30 years and we remain committed to the success of the sector.

Our UK Public Sector Assurance (PSA) team employs 440 people, including 29 Key Audit Partners and specialists in financial reporting, audit quality, and Value for Money.

The team is dedicated to public audit work in local government and the NHS, with contracts with PSAA, Audit Scotland and over 100 health bodies. The Public Sector Assurance team is a regular commentator on issues facing the sector and oversees the firm's thought leadership, such as its series of publications on grants and public interest reports.

Mark Stocks, lead Partner for PSA at Grant Thornton, said 'This is a very welcome outcome and reflects our previous delivery as well as our ongoing commitment to invest in the public sector.'

Further information can be found here

Public Sector Audit Appointments

Appendices

A. Action plan – Audit of Financial Statements

We have identified one recommendation for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	Errors were identified during the audit process requiring significant adjustments to accounts disclosures, which were the result of double-counting of balances and unclear documentary trails within the Council's working papers. Some evidence received for particular samples was not of the appropriate quality for audit testing and required re-working by finance officers, adding significant delay to testing of these balances.	The Council should review its accounts production and quality checking processes to minimise the risk of such errors arising. **Management response** Aimed improvements in working papers have resulted in one particular working paper causing issues for this audit. The problems identified have now been rectified therefore reducing the risk of error in the future. In addition, an experienced member of the accounting team has recently returned to work from maternity leave which will give additional capacity in reviewing the working papers. Further review of the accounts production will be considered once the full audit timetable is known and consideration of other council priorities is taken into account.
Medium	As per page 16, we identified that users in the finance team are able to change user access to the general ledger. This is an essential control which should be managed by the IT team.	If possible, permissions should be changed so that finance staff are no longer able to manage user access controls. **Management response** Access to the finance system application can only be made via Windows authentication. The IT team manage user access to the TBC environment and remove any users following confirmation of an employee termination by the HR team. The Finance team manage access levels within the finance system and again access is updated following the monthly confirmation of employee terminations. It is not possible to delete some old users of the system who have created journals etc in previous years as this would delete and corrupt the system history but every account is suspended for such individuals. IT have no knowledge of access levels or monetary approval levels for staff as this is administered and controlled by Finance and therefore passing on responsibility for system access management is not considered appropriate, particularly given the overriding network control in place.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Follow up of prior year recommendations

We identified the following issues in the audit of Tewkesbury Borough Council's 2020/21 financial statements, which resulted in two recommendations being reported in our 2020/21 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	As part of our related parties testing we identified that not all councillors had provided a declaration during the period, and the related parties note was being compiled from prior period disclosures. We recommend that the council ensures all councillors complete a declaration on an annual basis.	An exercise has been completed in year to update the declarations for all councillors, for which all required responses were received.
✓	As part of our work on the closing balance of assets, we identified that the council has over £2m of fully depreciated assets on its balance sheet. We recommend that the council reviews its assets, removing those that are no longer in use from it's balance sheet and considering whether the useful life originally assigned to those assets was appropriate. As part of the council's findings, we recommend considering whether there is any impact on the useful lives assigned to other assets, and amending these as necessary.	Per discussion with officers and review of the asset register, a review of the fully depreciated assets has been completed in year. A significant proportion of the assets have been disposed of in year (£388k) where these are no longer in use. Some other assets remain in use; in particular, the largest proportion of assets with a nil NBV consists of waste and recycling bins which are still in use by residents, and therefore would not be disposed of.

Assessment

✓ Action completed

X Not yet addressed

C. Audit Adjustments

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

Impact of adjusted misstatements

There were no adjusted misstatements in year affecting the primary statements, though there were a number of disclosure misstatements requiring adjustments as recorded on the next page.

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
One grant for £150k had been misclassified as income in the 2021/22 year when it related to 2022/23. income and debtors are both overstated by this amount. Due to the size of the grant relative to the sample population it was impossible to extrapolate the error, and we have instead performed cut-off testing over all grants posted to revenue at year end to gain assurance that this error was isolated, with no further issues identified.	150	(150)	150	Difference was immaterial
Overall impact	99	(99)	99	

C. Audit Adjustments

Misclassification and disclosure changes

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

Disclosure omission	Auditor recommendations	Adjusted?
For three properties, revaluation movements totalling £602k had been credited to the surplus or deficit on provision of services instead of other comprehensive income. This has a nil impact on the net expenditure and balance sheet positions but requires adjustment to the gross balances on the face of the statement.	Changes to the surplus or deficit on provision of services and other comprehensive income should be processed, with consequent impacts on the revaluation reserve and capital adjustment account. Management response All required changes have been made.	✓
The CIES is misaligned and prior year balances are allocated to the incorrect service areas.	Presentation should be adjusted to ensure that all prior year balances are reported appropriately. Management response All required changes have been made.	✓
Several balances in disclosure notes 8 and 32 had been double-counted. The overall change in gross balances is -£5,844k from each of income and expenditure, which has a nil impact on the net expenditure position.	The note should be updated to present the corrected gross balances. Management response All required changes have been made.	✓
Lease disclosures in note 35 were misstated for both the lessor and lessee basis. The misstatements were immaterial and reflected only the disclosure of lease liabilities and not income or expenditure in year.	The note should be updated to present the corrected disclosures. Management response All required changes have been made.	✓
The net book values of vehicles, plant, and equipment assets and infrastructure assets had been erroneously transposed on the face of the balance sheet.	The balance sheet should be updated to correctly classify these balances in line with their categorisation in the fixed asset register. Management response All required changes have been made.	✓
The financial liabilities in note 18 incorrectly referenced the pension fund net liability as “long term borrowing” and not the actual long term borrowing figure.	The note should be updated to correctly refer to the balance of long term borrowing as per the balance sheet. Management response All required changes have been made.	✓
A number of other minor typos, disclosure errors, formatting changes and other adjustments were identified during the course of the audit. In all cases management have made appropriate amendments to the accounts to correct these where identified.		✓

C. Audit Adjustments

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2020/21 financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Investment property rental income was overstated by £141k.	141	Nil	141	Difference was immaterial.
One error was identified in our Community Infrastructure Levy testing. Once extrapolated, this projected a £72k overstatement of income.	72	(72)	72	Difference was immaterial.
Our operating expenditure testing identified one error in the credit population which should have been included as a debtor, and not a debit offsetting the expenditure population. Once extrapolated this produced a projected error of £197k. This would not impact the net expenditure position, but would increase the projected debtors' balance.	Nil	197	Nil	Difference was immaterial
Our fees and charges testing identified a difference in the calculation of s106 income due to the use of incorrect indices. We reviewed the full population and identified a total underaccrual of £54k of income.	(54)	54	(54)	Difference was immaterial
Overall impact	159	179	159	

The adjustments are individually and collectively immaterial, and due to their nature they are unlikely to impact the year end balances in the 2021/22 financial statements.

D. Fees

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

Audit fees	Proposed fee (£s)	Final fee (£s)
Council Audit	62,565	64,065
Total audit fees (excluding VAT)	62,565	64,065

The fees reconcile to the financial statements as per note 31.

The final fee varies from the proposed fee in our audit plan due to the following:

- -£5,000 for the removal of the remote working fee following Council confirmation of on-site working arrangements
- £6,500 for additional audit resource requirements for timely completion of the audit

Non-audit fees for other services	Proposed fee (£s)	Final fee (£s)
Audit Related Services - Certification of housing benefit grant	35,000	35,000
Total non-audit fees (excluding VAT)	35,000	35,000

E. Audit opinion

Our proposed audit opinion is included below.

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

Independent auditor's report to the members of Tewkesbury Borough Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Tewkesbury Borough Council (the 'Authority') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Head of Finance and Asset Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

E. Audit opinion

In our evaluation of the Head of Finance and Asset Management's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Head of Finance and Asset Management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Head of Finance and Asset Management with respect to going concern are described in the 'Responsibilities of the Authority, the Head of Finance and Asset Management and Those Charged with Governance for the financial statements' section of this report.

Other information

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

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

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

E. Audit opinion

Matters on which we are required to report by exception

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

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

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

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

As explained in the Statement of Responsibilities for the Statement of Accounts set out on page 10, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance and Asset Management. The Head of Finance and Asset Management is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Head of Finance and Asset Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

E. Audit opinion

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003.
- We enquired of senior officers and the Authority concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit, and the Audit and Governance Committee whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls, and of fraudulent recognition of revenue and expenditure. We determined that the principal risks were in relation to:
  - Journal entries outside the normal course of business
  - Significant management estimates, in particular those relating to land and buildings valuations and the valuation of the net pension fund liability
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
  - journal entry testing, with a focus on unusual and high-risk journals made at the year-end accounts production stage;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings and defined benefit pensions liability valuations;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

E. Audit opinion

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings and defined benefit net liability valuations.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA/LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

Responsibilities of the Authority

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

E. Audit opinion

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Tewkesbury Borough Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report'
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

Use of our report

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

Julie Masci, Key Audit Partner

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

Bristol

F. Audit letter in respect of delayed VFM work

The Audit and Governance Committee
Tewkesbury Borough Council
Public Services Centre
Gloucester Road
Tewkesbury
Gloucestershire
GL20 5TT

28 November 2022

Dear Sirs,

Under the 2020 Code of Audit Practice, at local government bodies we are required to issue our Auditor's Annual Report at the same time as our opinion on the financial statements or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the impact of the pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We expect to publish our report in time for the Council meeting on 21 February 2023.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours sincerely

Julie Masci
Key Audit Partner & Engagement Lead for Tewkesbury Borough Council

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit and Governance Committee (Special)
Date of Meeting:	12 December 2022
Subject:	Letter of Representation 2021-22
Report of:	Head of Finance and Asset Management
Head of Service/Director:	Head of Finance and Asset Management
Lead Member:	Lead Member for Finance and Asset Management
Number of Appendices:	One

Executive Summary:

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

Recommendation:

The Audit Committee APPROVES the Letter of Representation 2020-21.

Financial Implications:

None.

Legal Implications:

None.

Environmental and Sustainability Implications:

None.

Resource Implications (including impact on equalities):

None.

Safeguarding Implications:

None.

Impact on the Customer:

None.

1.0 INTRODUCTION

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

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

1.3 A copy of the draft Letter of Representation for 2021-22 is attached at Appendix A. On receipt of the Letter of Representation, the Council's external auditor may formally issue an opinion on the Financial Statements.

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

2.0 CONSULTATION

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

3.0 ASSOCIATED RISKS

3.1 None.

4.0 MONITORING

4.1 None.

5.0 RELEVANT COUNCIL PLAN PRIORITIES/COUNCIL POLICIES/STRATEGIES

5.1 None.

Background Papers: None.

Contact Officer: Head of Finance and Asset Management Tel: 01684 272005
Email: simon.dix@tewkesbury.gov.uk

Appendices: Appendix A – Letter of Representation 2021-22.

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

Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL

12 December 2022

Dear Sirs

Tewkesbury Borough Council
Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Tewkesbury Borough Council for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the Authority financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

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

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Authority's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of land and buildings (including investment properties) and the valuation of the defined benefit net liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the

Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent
   b. none of the assets of the Authority has been assigned, pledged or mortgaged
   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Authority's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment. We continue to believe that the Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

   a. the nature of the Authority means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis

will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Authority's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements

xv. The Authority has complied with all aspects of ring-fenced grants that could have a material effect on the Authority's financial statements in the event of non-compliance.

Information Provided

xvi. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Authority's financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Authority via remote arrangements from whom you determined it necessary to obtain audit evidence.

xvii. We have communicated to you all deficiencies in internal control of which management is aware.

xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiii. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.

xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Audit and Governance Committee at its meeting on 12 December 2022.

Yours faithfully

Name……

Position…….

Date…….

Name……

Position…….

Date…….

Signed on behalf of Tewkesbury Borough Council

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit and Governance Committee (Special)
Date of Meeting:	12 December 2022
Subject:	Statement of Accounts 2021-2022
Report of:	Finance Manager
Head of Service/Director:	Head of Finance and Asset Management
Lead Member:	Lead Member for Finance and Asset Management
Number of Appendices:	One

Executive Summary:

The Statement of Accounts for 2021-22 shows the financial position of the Council as at 31 March 2022 as well as the performance during the year.

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

Recommendation:

The Committee is asked to RESOLVE:

1) **That the 2021/2022 Statement of Accounts be APPROVED, subject to 2) below.**
2) **That authority be delegated to the Head of Finance and Asset Management in consultation with the Chair of the Audit and Governance Committee to amend the approved 2021/2022 Statement of Accounts upon receipt of advice for any outstanding issues from the External Auditor.**

Financial Implications:

Revenue and capital balances as detailed within the report.

Legal Implications:

The process and schedule for approval of the Statement of Accounts are regulated this year by the Accounts and Audit (Amendment) Regulations 2021 which have amended the Accounts and Audit Regulations 2015.

A revision was made to this legislation in June 2022 extending the deadline for publication of the audited accounts by two months from 30 September 2022 to 30 November 2022. This extension only applies to the 2021/22 Statement of Accounts. From 2022/23 onwards the deadline for publication of the audited accounts is 30 September 2022.

Environmental and Sustainability Implications:

There are no direct environmental and sustainability implications arising from the accounts.

Resource Implications (including impact on equalities):

There are no direct resource implications.

Safeguarding Implications: There are no direct safeguarding implications
Impact on the Customer: As the accounts reflect 2021-22 there is no direct impact on the customer.

1.0 INTRODUCTION

1.1 The Finance team faced a number of challenges in producing a draft set of accounts including maternity leave for a key member of staff, training up new members of the team and competing priorities. Despite these challenges, the Finance team presented the draft accounts to Grant Thornton by 7 July 2022. It was expected that Grant Thornton would then commence the audit of the draft accounts in July, but this was not possible due to resourcing difficulties and the audit was delayed until September.

1.2 The majority of the audit work has been completed now with no material adjustments to the primary statements at the time of writing this report. A verbal update will be given at the Committee of any changes.

1.3 The Committee is asked to review the content of the Statement of Accounts, in line with the information contained in the Audit Findings Report and confirm that they approve them for publication, subject to any amendments advised by the External Auditor which will be dealt with by delegation to the Head of Finance and Asset Management in consultation with the Chair of the Audit and Governance Committee. The auditor's work is ongoing at the time of the report hence the need for recommendation 2 above.

2.0 THE STATEMENT OF ACCOUNTS

2.1 With the loss of our most experienced accountant, and a new member of staff to bring into the process, the team focussed on trying to train up new and existing staff on areas they were not familiar with. We have concentrated on transferring knowledge and skills within the team to build a more resilient and knowledgeable team in the future. This has added time to the preparation of the accounts however we believe in investing the time for future gain.

2.2 Whilst the audit of the accounts has not concluded, we have already sat down to review the current Audit Findings Report (AFR) and taken on board any issues or errors included that could be minimised through a change in processes or year-end procedure as part of our accounts de-briefing session. With the date for the preparation of the 2022-23 accounts likely to be brought back to the end of May deadline in 2023 it is imperative that we find efficiencies in the way we produce the statements.

2.3 The 2021-22 financial year was also another year where COVID-19 affected day to day operations and specific COVID-19 relates grants and expenditure inflated income and expenditure.

2.4 Comprehensive Income and Expenditure Account

The Council's accounts are prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the UK, which is recognised by statute as representing proper accounting practice and meets the requirements of the Accounts and Audit Regulations 2015. The accounts do not show our financial position against budget (which is how we monitor our performance internally) however this can be found in the Executive Committee meeting on 6 July 2022 under Financial Outturn Report. The relationship between the outturn position and the statements in the accounts can be shown in the table below.

	£,000	Source
Outturn against budget per Exec report	(4,201)	Executive Committee report 6 July 2022
Earmarked Reserve expenditure recoded to services	1,842	
Planning Obligation income and expenditure recoded to services as per	445	
Capital funded by revenue not included within Outturn	194	
Planned use of reserves in budget	3,519	
Other transfers from reserves not in budget e.g. Mayor's Charity	(20)	
Expenditure and Funding Analysis Statement - (Surplus)/Deficit on Provision of Services	1,779	Expenditure and Funding Statement on page 27 of Statement of Accounts
Capital included within CIES and not outturn	(4,167)	
Cash payments for pensions in budget but in CIES it is replaced by IAS19 accounting regulations	1,447	
Timing difference between what is chargeable for NDR and council tax under statute and what is recognised under accounting principles.	(4,026)	
Fair value gains (losses) on assets recognised in CIES	(596)	
Comprehensive Income and Expenditure Statement - (Surplus)/Deficit on Provision of Services	(5,563)	Comprehensive Income and Expenditure Statement on page 2 of Statement of Accounts

Note: Figures in brackets show a surplus (or gain)

2.5 Balance Sheet

The total net worth of the Council, the aggregate value of all of the assets and liabilities in the balance sheet, has increased from £26m to £43m.

The change in net worth is summarised in the Movement in Reserves Statement which is on page 3 and there are a number of movements (mainly on unusable reserves) which contribute to this, including.

- a reduction in the Collection Fund Adjustment Account of £4m which is mainly due to the large business rates collection fund deficit accrued in 2020-21 being released in 2021-22.
- the pension deficit has decreased by over £8m due mainly to a change in financial assumptions (a higher discount rate results in a lower net present value of the pension obligation).

2.6 Collection Fund Balances

The balance on the Collection Fund for Council Tax at the year-end was a surplus of £983k.

Any balance on the Council Tax Fund will be redistributed amongst the precepting bodies of Gloucestershire County Council, Gloucestershire Police and ourselves, based on a proportion of the total precept demand from each body. Of this, £953k has already been allocated, based on an estimate of the outturn position in January 2022. The remaining balance of £30k will be incorporated in to the 2022/23 estimate of outturn in January 2023.

The balance on the Collection Fund for business rates at the year-end was a deficit of £1.88m (£11.65m deficit in 2020-21) which is mainly due to a successful business rates challenge by Virgin Media resulting in a rates refund of £1.8m back to 1 April 2017. Our share of this deficit is £752k and this has been budgeted for in the current year in line with statutory regulations.

2.7 Capital Resources

The total balance of capital resources (excluding CIL receipts) as at 31 March 2022 is £1.5m including capital grants.

Expenditure on capital projects was £1.28m in 2021/22 and included £160k on new Grounds Maintenance vehicles, £140k on IT equipment, £178k on the Ashchurch Bridge project and £531k on Disabled Facilities Grants.

3.0 CONSULTATION

3.1 The accounts and supporting documents were available for inspection by any person interested between 7 July 2022 and 17 August 2022 however no one exercised these rights.

Between the 7 July 2022 and 17 August 2022, the Auditor has been available to receive questions and objections relating to the accounts from local electors.

Both these opportunities were placed on the Council’s website

4.0 ASSOCIATED RISKS

4.1 None directly as a result of this report.

5.0 MONITORING

5.1 None.

6.0 RELEVANT COUNCIL PLAN PRIORITIES/COUNCIL POLICIES/STRATEGIES

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

Background Papers: None.

Contact Officer: Finance Manager Tel: 01684 272006

Email: emma.harley@tewkesbury.gov.uk

Appendices: Appendix A – Statement of Accounts.

Tewkesbury
Borough Council

UNAUDITED

Financial Statements for the year ended 31 March 2022

Finance and Asset Management
Simon Dix
Head of Service

Contents

STATEMENT OF RESPONSIBILITIES

The council's Responsibilities

The Council is required to:

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

The Head of Finance and Asset Management's Responsibilities

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

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

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

The Head of Finance and Asset Management has also:

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

I certify that the financial statements on pages 2 to 85 are the relevant financial statements for the audit certificate and present a true and fair view of the financial position of the council at the reporting date and its income and expenditure for the year ended 31st March 2022.

S J Dix
Head of Finance and Asset Management.
Date:

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

Councillor V Smith
Date:

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2020/2021 Gross Expenditure £'000	2020/2021 Gross Income £'000	2020/2021 Net Expenditure £'000		Note	2021/2022 Gross Expenditure £'000	2021/2022 Gross Income £'000	2021/2022 Net Expenditure £'000
279	0	279	Chief Executive Unit		291	0	291
8,972	-3,822	5,150	Community Services		9,520	-3,977	5,543
17,329	-14,655	2,674	Corporate Services		15,466	-12,540	2,926
3,456	-3,935	-479	COVID-19 Business Grants		1,619	-1,077	542
776	-53	723	Democratic Services		942	-192	750
124	0	124	Deputy Chief Executive Unit		-17	0	-17
4,689	-3,318	1,371	Development Services		5,989	-4,807	1,182
3,549	-3,154	395	Finance and Asset		3,592	-1,355	1,634
2,583	-1,888	695	One Legal		2,958	-2,083	875
0	0	0	Borough Solicitor		168	-22	146
41,757	**-30,825**	**10,932**	**Total Cost of Continuing Operations**		**40,528**	**-26,053**	**13,872**
2,145	-3,554	-1,409	Other Operating Expenditure	**13**	2,242	-4,151	-1,909
2,175	-4,238	-2,063	Financing and Investment Income and Expenditure	**14**	1,511	-4,921	-3,410
0	-16,815	-16,815	Taxation and Non-Specific Grant Income and Expenditure	**15**	0	-14,719	-14,719
4,320	**-24,607**	**-20,287**			**3,753**	**-23,791**	**-20,038**
46,077	**-55,432**	**-9,355**	**(Surplus)/Deficit on Provision of Services**		**44,281**	**-49,844**	**-5,563**
		-69	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets				-1,256
		0	Surplus or deficit from investments in equity instruments designated at fair value through other comprehensive income				10
		8,369	Actuarial (Gains)/Losses on Pensions Assets/Liabilities				-10,386
		8,300	**Other Comprehensive Income and Expenditure**				**-11,632**
		-1,055	**Total Comprehensive Income and Expenditure**				**-17,195**

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Movement in reserves during 2021/2022							
Balance at 1 April 2021 brought forward	**800**	**30,811**	**1,090**	**3,838**	**36,539**	**-10,518**	**26,021**
Total Comprehensive Income & Expenditure	5,563	0	0	0	5,563	11,633	17,196
Adjustments between accounting basis & funding basis under regulations (Note 11)	-7,342	-284	221	3,763	-3,642	3,642	0
Increase/Decrease (movement) in Year	-1,779	-284	221	3,763	1,921	15,275	17,196
Transfers to/from Earmarked Reserves (Note 12)	1,979	-1,979	0	0	0	0	0
Balance at 31 March 2022 carried forward	**1,000**	**28,548**	**1,311**	**7,601**	**38,460**	**4,757**	**43,217**

MOVEMENT IN RESERVES STATEMENT (continued)

	General Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Movement in reserves during 2020/2021							
Balance at 1 April 2020 brought forward	**800**	**16,378**	**1,141**	**393**	**18,712**	**6,254**	**24,966**
Total Comprehensive Income & Expenditure	9,355	0	0	0	9,355	-8,300	1,055
Adjustments between accounting basis & funding basis under regulations (Note 11)	5,078	0	-51	3,445	8,472	-8,472	0
Increase/Decrease (movement) in Year	14,433	0	-51	3,445	17,827	-16,772	1,055
Transfers to/from Earmarked Reserves (Note 12)	-14,433	14,433	0	0	0	0	0
Balance at 31 March 2021 carried forward	**800**	**30,811**	**1,090**	**3,838**	**36,539**	**-10,518**	**26,021**

Balance Sheet

31/03/2021 £'000		Notes	31/03/2022 £'000
	Property, Plant & Equipment		
24,095	Other Land & Buildings	**16**	25,003
197	Infrastructure Assets	**16**	188
1,640	Vehicles, Plant, Furniture & Equipment	**16**	1,385
23	Community Assets	**16**	23
953	Assets Under Construction	**16**	1,190
26,908			**27,789**
61,029	Investment Property	**17**	61,553
218	Heritage Assets		218
187	Intangible Assets		147
88,342			**89,707**
8,453	Long Term Investments	**18**	10,558
2,457	Long Term Debtors	**18**	1,429
99,252	**Total Long Term Assets**		**101,694**
	Current Assets		
5,017	Short Term Investments	**18**	10,011
8,923	Short Term Debtors	**19**	10,922
5,186	Cash & Cash Equivalents	**20**	11,428
19,126	**Current Assets**		**32,361**
	Current Liabilities		
18,730	Short Term Borrowing	**18**	13,719
11,702	Short term Creditors	**21**	23,984
908	Provisions	**22**	4,442
31,340	**Current Liabilities**		**42,145**
87,038	**Total Assets Less Current Liabilities**		**91,910**
	Long-Term Liabilities		
2,803	Provisions	**22**	16
20,867	Long Term Borrowing	**18**	20,333
36,974	Net Pensions Liability	**24.3**	28,035
373	Other Long Term Liabilities		309
61,017	**Long-Term Liabilities**		**48,693**
26,021	**Net Assets**		**43,217**
800	General Fund Reserve		1,000
30,811	Earmarked Reserves	**12**	28,548
1,089	Capital Receipts Reserve	**MIRS**	1,311
78	Capital Grants Unapplied	**MIRS**	228
3,760	Community Infrastructure Reserve		7,373
36,538	**Usable Reserves**		**38,460**
8,150	Revaluation Reserve	**24.1**	9,325
24,943	Capital Adjustment Account	**24.2**	26,015
-36,974	Pensions Reserve	**24.3**	-28,035
-4,677	Collection Fund Adjustment Account	**24.4**	-651
0	Financial Instruments Revaluation Reserve	**24.6**	-10
-1,419	Short-term Accumulating Compensated Absences Account	**24.7**	-1,961
-540	Pooled Investments Adjustment Account	**24.5**	74
-10,517	**Unusable Reserves**		**4,757**
26,021	**Total Reserves**		**43,217**

These financial statements were authorised for issue by the Head of Finance and Asset Management on 12/12/2022.

Simon Dix

CASH FLOW STATEMENT

2020/2021 £'000		Note	2021/2022 £'000
9,355	Net (surplus) or deficit on the provision of services		5,563
1,807	Adjustments to net surplus or deficit on the provision of services for non-cash movements	**25**	7,778
130,154	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		81,931
141,316	**Net cash flows from Operating Activities**		**95,272**
-129,401	Investing Activities	**26**	-90,992
-13,711	Financing Activities	**27**	1,962
-1,796	**Net increase or decrease in cash and cash equivalents**		**6,242**
6,982	Cash and cash equivalents at the beginning of the reporting period		5,186
5,186	**Cash and cash equivalents at the end of the reporting period**	**20**	**11,428**

Note 1 - Accounting Policies

1.1 General Principles

The financial statements summarises 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 2021/2022 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.

• Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3 Cash and Cash Equivalents

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

Cash equivalents are highly liquid investments that can be 'called' within 30 days or less, 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 or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the council can no longer withdraw the offer of those benefits or when the council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

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

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

The Local Government Pension Scheme

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

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

• Liabilities are discounted to their value at current prices, (see relevant note for further details)

• The assets of the Gloucestershire County Council pension fund attributable to the council are included in the Balance Sheet at their bid value as required by IAS 19.

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

- Service cost comprising

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

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

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

- Remeasurements comprising:

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

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

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

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)

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 authorities 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 authority applies the statutory override available on these fair value gains and losses to move them from the CIES to reserves via the Movement in Reserves Statement. The gains and losses are therefore not recognised as a cost to taxpayers, until the financial asset is derecognised

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

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

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

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

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

Level 3 inputs – unobservable inputs for the asset.

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

Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets that are measured at FVOCI 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 arise in other comprehensive income.

The Council has made an irrevocable election to designate our equity investments to fair value through other comprehensive income (Note 18) because they are long-term strategic holdings and changes in their fair value are not considered to be part of the Council's annual financial performance.

Any gains or losses are taken to the Financial instruments Revaluation Reserve and changes in fair value are

posted to Other Comprehensive Income and Expenditure.

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 council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the council.

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

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

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

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

1.9 Interests in Companies and Other Entities

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

1.10 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.

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

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

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

• The asset is available for immediate sale in the present condition subject to terms that are usual and customary for such assets;

• The sale must be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated;

• The asset must be actively marketed for a sale at a price that is reasonable in relation to the current value;

• The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

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. If the current year amount is material (even if the comparator is not) then a prior period adjustment will be carried out if it aids understanding for the reader.

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

Measurement

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

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

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

Current Value (Existing Use)	• 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 can not be made; • Infrastructure, community assets and assets under construction.

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

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

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

• Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);

• Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

The council operates a deminimis 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 an reasonable estimation of the UEL of these types of assets;
• Infrastructure	- over the UEL of the individual assets as estimated by the valuer or Project Officer. - These assets have an estimated UEL of between 30 - 60 years
• Specialist equipment	- depreciated over the useful economic life (UEL) of the asset as estimated by a suitably qualified person. - solar panels are being depreciated over 25 years

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

Componentisation

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

The council has taken the view that 'significant' means:
• The cost of the component is more than 25% of the cost of the asset as a whole; and
• The cost of the component is more than £500,000.

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

1.16 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 financial statements.

Contingent Assets

A contingent asset arises where an event has taken place that gives the council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council.
Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the financial statements where it is probable that there will be an inflow of economic benefits or service potential.

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 in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

1.19 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 line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

2 Accounting Standards Issued, Not Adopted

The 2021/22 Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified. The Code also requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

The standards that may be relevant for additional disclosures that will be required in the 2021/22 and 2022/23 financial statements in respect of accounting changes that are introduced in the 2021/22 Code are:

Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4

1) IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries
2) IAS 37 (Onerous contracts) – clarifies the intention of the standard
3) IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
4) IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local

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

We are planning to adopt IFRS16 Leases on 1 April 2023 and so this will be included in the note next year.

3. Critical Judgements in Applying Accounting Policies

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

Local Government Funding
There is a high degree of uncertainty about future levels of funding for local government. However, the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the council might be impaired as a result of a need to close facilities and reduce levels of service provision.

Asset Classifications
The Council has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. These judgements are based on the main reason that the council is holding the asset. If the asset is used in the delivery of services or is occupied by third parties who are subsidised by the council they are deemed to be Property, Plant and Equipment assets. If there is no subsidy and/or full market rent is being charged this would indicate that the asset is an Investment Property. The classification determines the valuation method to be used.

Fundamentum REIT
In 2021/22 the Council made a strategic decision to classify the investment in Fundamentum REIT as Fair Value through Other Comprehensive Income. Refer to Note 18 for detail.

Provisions - Business Rates Appeals
The level of provision for business rate appeals under the business rate retention scheme (2010 list) has been calculated using historic appeals information.

Those on the list at 31 March 2017 (as no more appeals can be submitted against the 2010 list) with a code of grounds where we have statistical information relating to the success and outcome of past appeals have been calculated using the average success rate and rateable value lost.

The 2017 rating list has introduced a new appeals scheme called 'Check, Challenge, Appeal' due to many appeals previously being made speculatively and with little supporting information. This means that the ratepayer has to go through 2 stages before they get a chance to appeal and this can take many months. To date there has been a very small number of businesses who had made it to the Challenge stage giving us no indication of the level of provision to make against the 2017 list for appeals not yet lodged. When setting the 2016/2017 multiplier for the new 2017 list an allowance of 4.7% was made by the Ministry of Housing, Communities and Local Government to provide for future appeal loss which we have used previously however, this new process has not seen any appeals to date so we have decided to reduce the provision to the average used by all billing authorities in England instead. Therefore, we will be setting a provision equating to 3.4% of the gross rates payable for the 2021-22 financial year.

Local Government Pension Scheme
IAS 19 disclosures include information on the assets that make up the Local Government Pension Scheme for the Council as required under 6.4.3.45 (8) of the Code of Practice. We have taken the decision to disclose, in summary, the categories that the Pension Fund have invested in. The council does not directly influence the activities of the Fund and as the fund assets do not impact on the revenue account it is our decision that the disclosure is sufficient in line with section 6.4.3.45 (4) of the Code of Practice. Should further information be required on the categories of pension assets and the decision making on the strategy for investment then we would direct the query to the Pension Fund administrators.

Consideration of Group Accounts

The council joined a Local Authority owned company, Ubico Ltd, on the 1 April 2015. This company provides a range of environmental services for the council. The company is owed by 8 local government authorities. Each council has one share interest in Ubico Ltd.

We are required to consider whether the council has an interest in this company and whether the council should produce group accounts.

Our conclusion is that Ubico Ltd represents a separate vehicle. However when considering joint arrangements, under IFRS12, our assessment is that on the test of whether there is joint control per section 9.1.2.10 of the code. As decisions are made on a majority basis and do not require unanimous consent so there is no joint control.

We have then considered whether under IAS28, that we have significant influence, per 9.1.2.22 of the Code. As there are 8 equal shareholders our interest in Ubico is below the 20% threshold which is an indication of holding significant influence. Other factors which we have considered include representation on the board, participation in policy making, material transactions and management influence. Our judgement is that there is no persuasive evidence that the council has a significant level of control over the strategic direction and operation of Ubico Ltd. Therefore group accounts do not need to be produced.

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

Ubico Ltd's statement of accounts are available from Companies House.

Claims against the council

There are a number of planning appeals and planning related High Court proceedings which remain unresolved at 31st March 2022 and for which a provision of £425,000 has been included.

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

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

The items in the Council's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year (due to assumptions/judgements) are as follows:

COVID-19

COVID-19 continued to impact the whole of the 2021-22 financial year with many restrictions still in place for the majority of the year. It has severely affected global supply chains. According to ONS, in March 2022 almost one third of businesses in manufacturing, wholesale and retail trade reported global supply chain disruption.

Consequences of COVID-19 pandemic continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels adequate to base opinions of value therefore our property valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

Brexit, War in Ukraine, Rising Inflation and Property Valuations

We officially left the EU on 31st December 2020 and, whilst the deal provides a more certain position in relation to the UK's future relationship with the EU, the full implications of the deal will take some time to realise.

War in Ukraine and rising inflation led to much uncertainty about effects on our economy in relation to many factors that impact the construction markets and costs associated with the property market.

The main impact on the balance sheet relates to fair value assessments. Property, pensions and financial instruments are linked to economic activity and demand. The council uses professionals in each field to help establish what the fair value estimates of assets and liabilities are as at the 31st March each year.

Where there is information about similar assets and liabilities being traded on open markets around the year end, this has been reflected in the fair value shown on the balance sheet. However for those assets and liabilities that are not being traded, it is harder to establish what the impact of the pandemic, war in Ukraine and the rise in inflation have been on fair value. We have received the estimates of fair values from our independent experts for Investments, Property and Pensions which is reflected in the financial statements.

Fair Values of Investments, Property and Pensions

Any adjustment to fair value on Investments, Property and Pensions are shown on the face of the CIES, however the council is not required to show the gain or loss against the general fund balance until the asset/liability is sold. The gain or loss is held in reserves on the balance sheet until that time. Currently the council has no plans within the next 3 years to sell any of its assets or face redemption of liabilities, valued at fair value and so does not consider there to be a risk to its general fund balance from any estimate uncertainty on its fair valued assets and liabilities as a result.

Other assumptions affecting the balance sheet are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Fair Value measurem ent	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the council's assets and liabilities. Where Level 1 inputs are not available, the council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the council's external valuer). Information about the valuation techniques and inputs used in determining the fair value of the council's assets and liabilities is disclosed in notes 17 and 18.	The council uses market rental and sales values, along with other observable inputs to measure the fair value of some of its investment properties The significant unobservable inputs (Level 3) is used in the fair value measurement of both the Golf Club and Sports Club Land. The valuers have based these valuations on comparative information on limited rental evidence based on rental value and yields. The total gross value of the two assets valued using Level 3 (Significant Unobservable Inputs) is £337,000. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties.
Business Rates Provisions	Since the introduction of Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2021/2022 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2022. The appeals provision required relating to periods prior to the 1 April 2017 list has been estimated using the Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date, up to and including 31 March 2017. For appeals relating to the new valuation list from the 1 April 2017 there is no historical data about successful appeals. Therefore we have followed national guidance based on the national average used in England which equates to a rate of 3.4% of the rateable value.	The appeals provision (for pre 1st April 2017 valuation lists) has been calculated using historic data for appeal success per category of appeal (as provided by the Valuation Office - VOA). Using this data we have extrapolated an appeals figure assuming the success rate is representative of what will happen in future. There is a likelihood that some appeals will be settled differently to anticipated, which could cause a large refund of previous years' rates. For appeals since the 1 April 2017 list a rate of 3.4% has been used. The increase in provision this year is £1.3m (our share only) bringing our total provision to £3.7m. If successful appeals are significantly higher than expectations the impact will be on short term cash flows, and that the council will not achieve its budgeted income from business rates in that year.

Pensions Liability	The assumptions under the Accounting Standard are largely prescribed at any point and reflect market conditions at the reporting date. Changes in market conditions that result in changes in the net discount rate (essentially the difference between the discount rate and the assumed rates of increase of salaries/deferred pension revaluation/pension increases in payment), can have a significant effect on the value of the obligations reported. There is also uncertainty around life expectancy, and the value of current and future pension benefits will depend on how long pensions are assumed to be in payment. The disclosures have been prepared using the longevity assumptions stated in Note 36.	The effects on the scheme liabilities of changes in individual assumptions can be measured and the sensitivities regarding the principal assumptions are set out below: The main demographic assumption is around the life expectancy of members. The actuary estimates that a one year increase in life expectancy would increase the Employer's Defined Benefit Obligation by around 3-5%.	
	Change in assumptions at year ended 31 March 2022	**Approx. % increase to Employer Liability**	**Approx. monetary amount (£'000)**
	0.1% decrease in Real Discount Rate	2%	1,869
	1 year increase in member life expectancy	4%	3,956
	0.1% increase in the Salary Increase Rate	0%	185
	0.1% increase in the Pension Increase Rate (CPI)	2%	1,670

5. EXPENDITURE AND FUNDING ANALYSIS

Net Expenditure Chargeable to the General Fund £'000	2020/21 Adjustments between the Funding and Accounting Basis (Note 11) £'000	Net Expenditure in the CIES £'000		Net Expenditure Chargeable to the General Fund £'000	2021/22 Adjustments between the Funding and Accounting Basis (Note 11) £'000	Net Expenditure in the CIES £'000
225	54	279	Chief Executive Unit	255	36	291
3,839	1,311	5,150	Community Services	4,025	1,518	5,543
2,055	619	2,674	Corporate Services	2,190	736	2,926
-479	0	-479	COVID-19 Business Grants	542	0	542
664	59	723	Democratic Services	665	85	750
98	26	124	Deputy Chief Executive Unit	0	-17	-17
777	594	1,371	Development Services	468	714	1,182
2,035	-1,640	395	Finance and Asset	2,991	-754	2,237
230	465	695	One Legal	293	582	875
0	0	0	Borough Solicitor	106	40	146
9,444	**1,488**	**10,932**	**Total Cost of Continuing Operations**	**11,535**	**2,940**	**14,475**
2,146	-3,555	-1,409	Other Operating Expenditure	2,243	-4,152	-1,909
-2,232	169	-2,063	Financing and Investment Income and Expenditure	-1,940	-1,470	-3,410
-23,791	6,976	-16,815	Taxation and Non-Specific Grant Income and Expenditure	-10,059	-4,660	-14,719
-23,877	**3,590**	**-20,287**		**-9,756**	**-10,282**	**-20,038**
-14,433	**5,078**	**-9,355**	**(Surplus)/Deficit on Provision of Services**	**1,779**	**-7,342**	**-5,563**
17,178			**Opening General Fund Balance**	**31,327**		
14,433			**Less surplus or (deficit) on General Fund Balance in year**	**-1,779**		
31,611			**Closing General Fund Balance at 31 March**	**29,548**		
			Closing Balance made up of			
800			General Fund Balance	**1,000**		
30,811			Earmarked Reserves (note 12)	**28,548**		
31,611				**29,548**		

6. Expenditure and Funding Analysis detail

Adjustments from General Fund to arrive at the CIES amounts 2021/2022	Adjustment for Capital Purposes	Net Change to the Pensions Adjustment	Other statutory adjustments	Other non statutory adjustments	Total Adjustments
	£'000	£'000	£'000	£'000	£'000
Chief Executive Unit	0	23	0	13	36
Community Services	1,086	355	0	77	1,518
Corporate Services	94	523	0	119	736
Democratic Services	0	67	0	18	85
Deputy Chief Executive Unit	0	0	0	-17	-17
Development Services	35	551	0	127	714
Finance and Asset	477	-1,299	0	68	-754
One Legal	3	448	0	131	582
Borough Solicitor	0	33	0	7	40
Total Cost of Continuing Operations	**1,695**	**702**	**0**	**542**	**2,939**
Other Operating Expenditure	-4,152	0	0	0	-4,152
Financing and Investment Income and Expenditure	-1,077	745	0	-1,138	-1,470
Taxation and Non-Specific Grant Income and Expenditure	-634	0	-4,026	0	-4,660
Difference between General Fund surplus or deficit and CIES surplus on the provision of services	**-4,166**	**1,447**	**-4,026**	**-596**	**-7,342**

6. Expenditure and Funding Analysis detail (continued)

Adjustments from General Fund to arrive at the CIES amounts 2020/2021	Adjustment for Capital Purposes	Net Change to the Pensions Adjustment	Other statutory adjustments	Other non statutory adjustments	Total Adjustments
	£'000	£'000	£'000		£'000
Chief Executive Unit	0	13	0	41	54
Community Services	967	154	0	190	1,311
Corporate Services	71	235	0	313	619
Democratic Services	0	29	0	30	59
Deputy Chief Executive Unit	0	11	0	15	26
Development Services	22	243	0	329	594
Finance and Asset	-45	-1,726	0	131	-1,640
One Legal	3	194	0	268	465
Total Cost of Continuing Operations	**1,018**	**-847**	**0**	**1,317**	**1,488**
Other Operating Expenditure	-3,555	0	0	0	-3,555
Financing and Investment Income and Expenditure	731	652	0	-1,214	169
Taxation and Non-Specific Grant Income and Expenditure	-1,292	0	8,268	0	6,976
Difference between General Fund surplus or deficit and CIES surplus on the provision of services	**-3,098**	**-195**	**8,268**	**103**	**5,078**

7. Segmental Income

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

Revenues from external customers	2020/2021 £'000	2021/2022 £'000
Rents, Lettings, Wayleaves, Easements	-3,409	-3,547
Development Services - Planning Fees	-1,097	-1,332
One Legal - recharges for services to other local authorities	-961	-950
Community Services - Garden Waste Income	-956	-1,007

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

8. Expenditure & Income Analysed By Nature

	2020/2021 £'000	2021/2022 £'000
Expenditure		
Employee Benefits	11,130	12,367
Other Services	26,592	25,916
Depreciation, Amortisation, Impairment and Revenue Financing	2,203	1,695
Interest Payments	552	463
Precepts and Levies	2,145	2,242
COVID-19 Business Grants	3,456	1,597
Total Expenditure	**46,078**	**44,281**
Income		
Fees, Charges & Other Service Income	-9,398	-15,099
Interest & Investment Income	-3,664	-3,783
Capital Revaluation Gains	-4,583	-1,199
Council Tax, Non-Domestic Rates	-10,349	-9,830
Government Grants & Contributions	-21,382	-18,222
COVID-19 Business Grants	-3,935	-1,066
COVID-19 Grants	-2,122	-644
Total Income	**-55,433**	**-49,844**
Surplus/Deficit	**-9,355**	**-5,563**

9. Material Items of Income and Expense

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

10. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Finance & Asset Management on XX/XX/XX. Events taking place after this date are not reflected in the financial statements or notes.

11. Adjustments Between Accounting Basis and Funding Basis Under Regulations

2020/2021 Usable Reserves - RESTATED				2021/2022 Usable Reserves		
General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied including CIL Reserve £'000		General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied including CIL Reserve £'000
			Adjustments to revenue reserves			
			Amounts by which income and expenditure included in the Comprehensive Income and Expenditure statement are different from revenue for the year calculated in accordance with statutory requirements			
195	0	0	Pension costs (transferred to (or from) the Pensions Reserve)	-1,447	0	0
574	0	0	Pooled investment funds (transferred to the pooled investment funds adjustment account)	614	0	0
-8,268	0	0	Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	4,026	0	0
-1318	0	0	Holiday pay (transferred to the Accumulated Absences Reserve)	-542	0	0
-1,748	0	0	Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the capital adjustment account)	-1,171	0	0
-10,565	**0**	**0**	**Total Adjustments to revenue resources**	**1,480**	**0**	**0**
			Adjustments between revenue and capital resources			
212	-212	0	Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	539	-539	0
1,292	0	-1,292	Transfer of capital grants and contributions to capital grants unapplied	634	0	-917
640	0	0	Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	882	0	0
3,343	0	-3,343	Transfers in respect of community infrastructure levy (CIL) receipts	3,613	0	-3,613
0	0	0	Capital Expenditure financed from revenue balances (transfers to the Capital Adjustment Account)	194	0	0
5,487	**-212**	**-4,635**	**Total adjustments between revenue and capital resources**	**5,862**	**-539**	**-4,530**
			Adjustments to capital resources			
0	263	-27	Use of the Capital Receipts Reserve to finance capital expenditure	0	318	0
0	0	1217	Receipt and Application of capital grants to finance capital expenditure	0	0	767
0	0	0	Cash payments in relation to deferred capital receipts	0	0	0
0	**263**	**1190**	**Total adjustments to capital resources**	**0**	**318**	**767**
-5,078	**51**	**-3,445**	**Total adjustments**	**7,342**	**-221**	**-3,763**

12. Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2021/2022.

	Balance 31/03/2020 £'000	Movement 2020/2021 £'000	Balance 31/03/2021 £'000	Movement 2021/2022 £'000	Balance 31/03/2022 £'000
Asset Management Reserve****	1,149	173	1,322	-234	1,556
Borough Growth Reserve	1,270	-642	628	0	628
Borough Regeneration Reserve	89	-7	82	0	82
Business Rates Earmarked Reserve	0	4,916	4,916	3,736	1,180
Business Rates Reserve*	499	1	500	500	0
Business Support Reserve	125	879	1,004	750	254
Business Transformation Reserve	618	381	999	-290	1,289
Climate Change Reserve	0	404	404	39	365
Community Support Reserve	99	785	884	-9	893
Council Tax Reserve	0	251	251	0	251
Development Management Reserve	180	305	485	12	473
Development Policy Reserve	265	646	911	-1,108	2,019
Elections Reserve	41	150	191	0	191
Flood Support and Protection Reserve	10	0	10	0	10
Garden Town Reserve ******	0	1,202	1,202	-82	1,284
Health & Leisure Development reserve	2	99	101	99	2
Horsford Reserve	70	5	75	4	71
Housing & Homeless Reserve	609	-66	543	-106	649
Information Technology Reserve	110	121	231	64	167
Insurance Reserve	50	10	60	0	60
Investment Reserve	0	350	350	-100	450
Mayors Charity Reserve	5	0	5	0	5
MTFS Equalisation Reserve***	0	2,781	2,781	-322	3,103
Open Space & watercourse Reserve *******	876	-138	738	100	638
Organisational Development Reserve	115	-11	104	-54	158
Planning Obligation Reserve **	8,975	645	9,620	454	9,166
Risk Management Reserve	10	250	260	-500	760
Transport Initiatives Reserves	0	0	0	0	0
Waste & Recycling Development Reserve ****	1,210	943	2,153	-691	2,844
Totals	**16,377**	**14,434**	**30,811**	**2,262**	**28,548**

Material Reserves

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

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

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

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

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

****** Monies for Garden Town are included in this reserve

******* Commuted Sums held in a reserve specifically for the maintenance of open spaces and watercourses.

Hierarchy of Reserves

The following table shows the nature of the reserves held by hierarchy of commitments held.

	Balance 31/03/2022 £'000
External/Ringfenced	5,410
Agreed Projects	5,089
Planned Expenditure	2,670
Uncommitted Reserve	4,957
Planning Obligations Reserve	9,166
Trust and Charity reserves	76
Business rates reserve	1,180
	28,548

13. Other Operating Income & Expenditure

2020/2021 £'000		2021/2022 £'000
-3,342	Community Infrastructure Levy Capital Receipts	-3,613
2,145	Parish Council Precepts	2,242
0	Payments to Government Housing Capital Receipts Pool	0
-123	Gains/Losses on Disposal Of Non-Current Assets	-61
-89	Other Income - Right to Buy Sales	-477
-1,409		**-1,909**

14. Financing & Investment Income & Expenditure

2020/2021 £'000		2021/2022 £'000
552	Interest payable and similar charges	463
-186	Interest receivable and similar income	-53
652	Net interest on the net defined benefit liability	745
731	Income and expenditure in relation to changes in investment properties fair value	-524
-2,871	Income and expenditure in relation to investment properties	-3,050
-941	Gains/losses and dividends for financial instruments classified as fair value through profit and loss	-991
-2,063		**-3,410**

15. Taxation and Non Specific Grant Income and Expenditure

2020/2021 £'000		2021/2022 £'000
-6,698	Council Tax Income	-6,914
2,823	Non-domestic rates income and expenditure	-1,327
-23	Revenue Support Grant	-23
-5,840	Other Non-Ring fenced Government Grants	-3,589
-4,539	Expanded Retail Relief - Non-domestic rates	-1,588
-1,292	Capital Grants and Contributions	-634
-1,247	COVID-19 Grants	-644
-16,816		**-14,719**

16. Property, Plant and Equipment

Movements in 2021/22

	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets '£'000	Community Assets £'000	Assets Under Construction £'000	Total Plant, Property & Equipment £'000
Cost or Valuation						
At 1 April 2021	**24,095**	**6,853**	**326**	**23**	**953**	**32,251**
Additions	0	417	0	0	236	**654**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	908	0	0	0	0	**908**
Revaluation increases/(decreases) to Surplus/Deficit on Provision of Services	0	0	0	0	0	**0**
Derecognition-disposals	0	-388	0	0		**-388**
At 31 March 2022	**25,003**	**6,882**	**326**	**23**	**1,190**	**33,424**
Accumulated Depreciation and Impairment						
At 1 April 2021	**0**	**-5,213**	**-129**	**0**	**0**	**-5,343**
						0
Depreciation charge	-348	-673	-9	0	0	**-1,029**
Depreciation written out to Revaluation Reserve	348	0	0	0	0	**348**
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	388	0	0	0	**388**
At 31 March 2022	**0**	**-5,498**	**-138**	**0**	**0**	**-5,636**
Net Book Value						
At 31 March 2022	**25,003**	**1,384**	**189**	**23**	**1,190**	**27,788**
At 31 March 2021	**24,095**	**1,640**	**197**	**23**	**953**	**26,908**

16. Property, Plant and Equipment (continued)

Movements in 2020/21

	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets '£'000	Community Assets £'000	Assets Under Construction £'000	Total Plant, Property & Equipment £'000
Cost or Valuation						
At 1 April 2020	**23,918**	**6,653**	**326**	**23**	**159**	**31,078**
Additions	0	201	0	0	795	**995**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-192	0	0	0	0	**-192**
Revaluation increases/(decreases) to Surplus/Deficit on Provision of Services	369	0	0	0	0	**369**
At 31 March 2021	**24,095**	**6,854**	**326**	**23**	**953**	**32,251**
Accumulated Depreciation and Impairment						
At 1 April 2020	**0**	**-4,582**	**-120**	**0**	**0**	**-4,702**
Depreciation charge	-336	-632	-9	0	0	**-977**
Depreciation written out to Revaluation Reserve	261	0	0	0	0	**261**
Depreciation written out to the Surplus/Deficit on the Provision of Services	75	0	0	0	0	**75**
At 31 March 2021	**0**	**-5,214**	**-129**	**0**	**0**	**-5,343**
Net Book Value						
At 31 March 2021	**24,095**	**1,640**	**197**	**23**	**953**	**26,908**
At 31 March 2020	**23,918**	**2,071**	**206**	**23**	**159**	**26,376**

16. Property, Plant and Equipment (continued)

Depreciation

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

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

Capital Commitments

As at 31 March 2022, the Council has not entered into any material capital contracts to undertake works on assets that are owned

Effects of Changes in Estimates

In 2021/2022, the council made no changes to its accounting estimates for Property, Plant and Equipment.

Revaluations

Wilks Head and Eve LLP are the Council's current external valuers and have been since 2014/15. In 2022/23 the Council will go out to tender, ensuring the service we receive is value for money and of a high standard. The contract requires that all its Property, Plant and Equipment, required to be measured at current value, is revalued annually as at the 31 March. Valuations of land and buildings have been carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

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

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

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

	Other Land & Buildings	Vehicles, Plant & Equipment	Community and Infrastructure Assets	Assets under Construction	TOTAL
	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	0	1,384	211	0	**1,595**
Carried at cost incurred to	0	0	0	1,190	**1,190**
Valued at current value	25,003	0	0	0	**25,003**
Total Cost or Valuation	**25,003**	**1,384**	**211**	**1,190**	**27,788**

17. Investment Properties

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

2020/2021 £'000		2021/2022 £'000
-3,003	Rental income from investment property	-3,099
24	Direct operating expenses arising from investment property	2
-2,979	**Net (gain)/loss**	**-3,097**

Rental Income has increased from the previous year due to purchasing 2 new investment properties and various rent renegotiations.

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

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

2020/2021 £'000		2021/2022 £'000
42,020	**Balance 1 April**	**61,029**
	Additions:	
19,740	Purchases	0
	Disposals:	
-731	Net gains/losses from fair value adjustments	524
61,029	**Balance 31 March**	**61,553**

Fair Value Hierarchy

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

	Quoted prices in active markets for identical assets (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (Level 3)	Fair Value as at the 31 March
	£'000	£'000	£'000	£'000
Land	0	1,694	0	**1,694**
Commercial Units	0	59,522	0	**59,522**
Other	0	0	337	**337**
Total as at 31 March 2022	**0**	**61,216**	**337**	**61,553**

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

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

Significant Observable Inputs – Level 2

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

Significant Unobservable Inputs – Level 3

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

Highest and Best Use of Investment Properties

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

Valuation Techniques

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

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

The value of assets categorised within Level 3 as at the 31 March 2022 is £337k (value as at 31 March 2021 was £328k). There has been no change in the assets identified in this category.

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

	Valuation technique used to measure fair	Unobservable Inputs	Range	Sensitivity
Golf Club	Comparative based on limited rental evidence	Rental Value	£30 - £50 psm	Changes in rental growth, yields, occupancy will result in a lower or higher fair value
		Yields	10% - 14%	
Sports Club Land	Comparative based on limited rental evidence	Rental Value	£1,000 - £2,000 per pitch	Changes in rental growth, yields, occupancy will result in a lower or higher fair value
		Yields	8% - 12%	

Valuation Process for Investment Properties

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

18. Financial Instruments

Financial Instruments - Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

Financial Liabilities

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

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

- Long-term loans from the Public Works Loan Board and commercial lenders
- Short-term loans from other local authorities
- Trade payables for goods and services received

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

Financial Liabilities	Long Term		Short Term	
	31/03/2022 £000s	31/03/2021 £000s	31/03/2022 £000s	31/03/2021 £000s
Loans at amortised cost:				
- Principal sum borrowed	20,333	20,867	13,533	18,533
- Accrued interest	0	0	186	197
Total Borrowing *	**20,333**	**20,867**	**13,719**	**18,730**
Liabilities at amortised cost:				
- Trade Payables	0	0	877	877
Included in Creditors **	**0**	**0**	**877**	**877**
Total Financial Liabilities	**20,333**	**20,867**	**14,596**	**19,608**

* The total short-term borrowing includes £174k representing accrued interest on long-term borrowing, as well as the principal and interest due on repayments within 12 months.

** The creditors lines on the Balance Sheet include £23,106k (2021: £10,825k) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions, to give a total creditors figure of £23,983k (2021: £11,702k) per the Balance Sheet.

Financial Assets

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

1) Amortised Cost

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

• Cash in hand
• Bank current and deposit accounts with Barclays bank
• Fixed term deposits and reverse repurchase agreements with banks and building societies
• Loans to other local authorities
• Loans to small companies and housing associations
• Trade receivables for goods and services provided

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

2) Fair Value through Other Comprehensive income

Fair value through other comprehensive income (where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument; and equity investments that the Council has elected into this category) comprising:

• shares in real estate investment trusts held as strategic investments

3) Fair Value through Profit and Loss

• Money market funds managed by external fund managers
• Pooled bond, equity and property funds managed by external fund managers

Financial assets held at amortised cost and some assets held at fair value through other comprehensive income are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

18. Financial Instruments

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

Financial Assets	Long Term		Short Term	
	31/03/2022 £000s	31/03/2021 £000s	31/03/2022 £000s	31/03/2021 £000s
At amortised cost:				
- Principal	1,000	0	10,000	5,000
- Accrued interest	0	0	11	17
At fair value through profit & loss:				
- Fair value	9,068	8,453	0	0
At fair value through other comprehensive income:				
- Equity investments elected FVOCI	490	0	0	0
Total Investments	**10,558**	**8,453**	**10,011**	**5,017**
At amortised cost:				
- Principal	0	0	5,500	2,000
- Accrued interest	0	0	2	1
At fair value through profit & loss:				
- Fair value	0	0	6,500	3,000
Cash Held	0	0	-812	14
Cash in Transit	0	0	238	171
Total Cash and Cash Equivalents	**0**	**0**	**11,375**	**5,186**
At amortised cost:				
- Trade receivables	278	290	3,551	2,976
Included in Debtors *	**278**	**290**	**3,551**	**2,976**
Total Financial Assets	**10,837**	**8,743**	**24,990**	**13,180**

* The debtors lines on the Balance Sheet include £6,251k (2021: £5,947k) short-term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions, to give a total for short term debtors on the Balance Sheet of £9,801k (2021: £8,923k).

* Also the long term debtors on the balance sheet include £1,151k which do not meet the definition of a financial asset as they relate to non exchange transaction to give a total for long term debtors on the Balance Sheet of £1,429.

Equity Instruments Elected to Fair Value through Other Comprehensive Income

The Council has elected to account for the following investments in equity instruments at fair value through other comprehensive income because they are long-term strategic holdings and changes in their fair value are not considered to be part of the Council's annual financial performance. The Fundamentum REIT is a provider of supported housing to registered providers and the council has a interest in this policy area.
The fair value is classified as level 2 because the share price is observable data – it is the net asset value as reported to the International Stock Exchange.

	Fair Value		Dividends	
	31.03.22 £000s	31.03.21 £000s	2021/22 £000s	2020/21 £000s
FundamentumREIT	490	0	5	0
Total	**490**	**0**	**5**	**0**

18. Financial Instruments (continued)

Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

	Amortised Cost £'000	**Amortised Cost £'000**	**Elected to Fair Value through OCI £'000**	**Fair Value through Profit & Loss £'000**	**2021/22 Total £'000**	**2020/21 Total £'000**
Interest expense	463	0	0	0	463	552
Losses from change in fair value				0		
Interest payable and similar charges **	**463**	**0**	**0**	**0**	**463**	**552**
Interest income	0	-61	0	0	-61	-186
Dividend income	0	0	-5	-363	-369	-367
Gains from changes in fair value	0	0	0	-605	-605	-574
Impairment loss reversals	0	0	0	0	0	0
Interest and investment income **	**0**	**-61**	**-5**	**-968**	**-1034**	**-1127**
Net impact on surplus/deficit on provision of services	**463**	**-61**	**-5**	**-968**	**-571**	**-575**
Impact on other comprehensive income	**0**	**0**	**10**	**0**	**10**	**0**
Net Gain/(Loss) for the Year	**463**	**-61**	**5**	**-968**	**-561**	**-575**

Financial Instruments - Fair Values

The fair value of a financial instrument is the price that would be received when selling an asset, or the price that would be paid when transferring a liability, to another market participant in an arms'-length transaction. Where liabilities are held as an asset by another party, such as the council's borrowing, the fair value is estimated from the holder's perspective.

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

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. A calculation has been made of what their fair values would be by estimating the net present value of the remaining contractual cash flows at 31 March 2022, using the following methods and assumptions:

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

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

Financial liabilities

	Fair Value Level	Balance Sheet 31 March 2022 £000s	Fair Value 31 March 2022 £000s	Balance Sheet 31 March 2021 £000s	Fair Value 31 March 2021 £000s
Financial liabilities held at amortised cost:					
Long-term loans from PWLB	**2**	20,333	19,422	20,867	22,636
TOTAL		**20,333**	**19,422**	**20,867**	**22,636**
Liabilities for which fair value is not disclosed *		14,596		19,607	
TOTAL FINANCIAL LIABILITIES		**34,929**		**40,474**	
Recorded on balance sheet as:					
Short-term creditors		877		877	
Short-term borrowing		13,719		18,730	
Long-term borrowing		20,333		20,867	
TOTAL FINANCIAL LIABILITIES		**34,929**		**40,474**	

* The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.
The fair value of financial liabilities held at amortised cost is lower than their balance sheet carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

Financial Assets

	Fair Value Level	Balance Sheet 31 March 2022 £000s	Fair Value 31 March 2022 £000s	Balance Sheet 31 March 2021 £000s	Fair Value 31 March 2021 £000s
Financial assets held at fair value:					
Money market funds	**1**	6,500	6,500	3,000	3,000
Shares in REITS not actively traded	**2**	490	490	0	0
Bond, equity and property funds	**1**	9,067	9,067	8,453	8,453
TOTAL		**16,058**	**16,058**	**11,453**	**11,453**
Assets for which fair value is not disclosed *		19,768		10,469	
TOTAL FINANCIAL ASSETS		**35,826**		**21,922**	
Recorded on balance sheet as:					
Long-term debtors		278		290	
Long-term investments		10,558		8,453	
Short-term debtors		3,551		2,976	
Short-term investments		10,011		5,017	
Cash and cash equivalents		11,428		5,186	
TOTAL FINANCIAL ASSETS		**35,826**		**21,922**	

* The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.
The fair value of financial assets held at amortised cost is lower than their balance sheet carrying amount because the interest rate on similar investments is now higher than that obtained when the investment was originally made.

19. Short Term Debtors

The balances outstanding at 31 March are summarised as follows:

	2020/2021 £'000	2021/2022 £'000
Local Tax Collection - Government bodies	2,292	819
Local Tax Collection - Ratepayer Arrears	1,206	1,162
Trade Debtors	1,670	2,065
Other Debtors	3,028	6,318
Prepayments & accrued income	2,503	2,246
Gross Debts	**10,699**	**12,610**
less Bad Debt Impairments	-1,776	-1,688
Total Net Debtors	**8,923**	**10,922**

20. Cash and Cash Equivalents

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

	2020/2021 £'000	2021/2022 £'000
Cash held by the Council	127	189
Bank current accounts	57	-763
Short-term deposits	5,002	12,002
Total Cash and Cash Equivalents	**5,186**	**11,428**

21. Short Term Creditors

The balances outstanding at 31 March are summarised as follows:

	2020/2021 £'000	2021/2022 £'000
Local Tax Collection - Precepting/billing authorities	4,296	10,529
Local Tax Collection - Ratepayer Accounts	302	1,513
Other Taxation	0	225
Trade Creditors	1,379	1,248
Other creditors	5,725	10,468 *
Total	**11,702**	**23,983**

* The 2021/22 figure includes £6,340k of receipts in advance.

22. Provisions

22.1 Short Term Provisions

	Outstanding Legal Cases	Business Rate Appeals Provision	Other Provisions	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2021	**509**	**310**	**90**	**908**
Transferred in from long term provision	0	1,869	0	**1,869**
Additional provisions made	386	3,370	0	**3,756**
Amounts used	116	1,840	3	**1,959**
Unused amounts reversed	97	0	35	**132**
Balance at 31 March 2022	**682**	**3,708**	**52**	**4,442**

22.2 Long Term Provisions

	Outstanding Legal Cases	Business Rate Appeals Provision	Other Provisions	Total
	£'000		£'000	£'000
Balance at 1 April 2021	**0**	**2,787**	**16**	**2,803**
Unused amounts reversed	0	2,787	0	**2,787**
Balance at 31 March 2022	**0**	**0**	**16**	**16**

Description of main provisions

Outstanding Legal Cases

There are a number of planning appeals and planning related High Court proceedings which remain unresolved at 31st March 2022 and for which a provision of £425k has been included.

Other Provisions

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

There is a provision of £3,708k at the 31 March 2022 relating to business rate appeals.

There is an ongoing provision of £212k which is to cover any ongoing legal costs incurred as part of the councils statutory responsibility to investigate two Health & Safety at work accidents within Tewkesbury Borough business premises.

23. Usable Reserves

Movements in the council's usable reserves are detailed in the Movement in Reserves Statement and Notes 5, 11 and 12.

24. Unusable Reserves

24.1 Revaluation Reserve

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

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

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2020/2021 £'000		2021/2022 £'000
8,163	**Balance at 1 April**	**8,150**
69	Upward revaluation of assets & reversal of previous impairment losses	1,256
-82	Difference between fair value depreciation and historical cost depreciation	-81
8,150	**Balance at 31 March**	**9,325**

24.2 Capital Adjustment Account

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

The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the council.

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

24. Unusable Reserves (continued)

Capital Adjustment Account

2020/2021 £'000		2021/2022 £'000
24,516	**Balance at 1 April**	**24,943**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
-977	Charges for depreciation and impairment of non-current assets	-1,029
445	Revaluation losses on Property, Plant and Equipment	0
-60	Amortisation of intangible assets	-45
-425	Revenue expenditure funded from capital under statute	-621
82	Adjusting amounts written out of the Revaluation Reserve	81
	Capital financing applied in the year:	
236	Use of the Capital Receipts Reserve to finance new capital expenditure	318
1,217	Application of grants to capital financing from the Capital Grants Unapplied Account	768
640	Statutory provision for the financing of capital investment charged against the General Fund	882
0	Capital expenditure charged against the General Fund	194
-731	Movements in the market value of Investment and donated properties debited or credited to the Comprehensive Income and Expenditure Statement	524
24,943	**Balance at 31 March**	**26,015**

24.3 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the council makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2020/2021 £'000		2021/2022 £'000
-28,800	**Balance at 1 April**	**-36,974**
-8,369	Remeasurements of the net defined benefit liability/(asset)	10,386
-2,742	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	-4,282
2,937	Employer's pensions contributions and direct payments to pensioners payable in the year	2,835
-36,974	**Balance at 31 March**	**-28,035**

24.4 Collection Fund Adjustment Account

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

2020/2021 £'000		2021/2022 £'000
3,591	**Balance at 1 April**	**-4,677**
-8,268	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements.	4,026
-4,677	**Balance at 31 March**	**-651**

24.5 Pooled Investment Funds Adjustment Account

The pooled investments adjustment account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to pooled investments and for bearing losses or benefiting from gains per statutory provisions.

2020/2021 £'000		2021/2022 £'000
-1,114	**Balance at 1 April**	**-540**
574	Fair value gain on financial instruments	614
	Fair value losses on financial instruments	
-540	**Balance at 31 March**	**74**

24.6 Financial Instruments Revaluation Reserve

The financial instruments revaluation reserve contains the gains made by the authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:
i) revalued downwards or impaired and the gains are lost
ii) disposed of and the gains are realised.

2020/2021 £'000		2021/2022 £'000
0	**Balance at 1 April**	**0**
0	Fair value losses on financial instruments	-10
0	**Balance at 31 March**	**-10**

24.7 Short Term Compensated Absences Account

The Short Term Compensated Absences Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the account. Since the beginning of the COVID-19 pandemic, annual leave and flexi-leave increased significantly due to a surge in workload pressures. Therefore, the existing calculation needed to be reviewed and amended accordingly. This resulted in the short term absences account becoming material.

2020/2021 £'000		2021/2022 £'000
102	**Balance at 1 April**	**1,419**
1,309	Annual Leave Accrual	498
8	Flexi Leave Accrual	44
1,419	**Balance at 31 March**	**1,961**

25. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2020/2021 £'000		2021/2022 £'000
	Specific Inflows	
249	Interest received	62
-544	Interest paid	-475
372	Dividends received	370
77		-43

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

2020/2021 £'000		2021/2022 £'000
977	Depreciation	1,030
-444	Impairment & downward valuations	0
60	Amortisation	45
2,672	Change in creditors	5,719
-1,854	Change in debtors	-63
-195	Movement in pension liability	1438
591	Other non-cash items charged to the net surplus or deficit on the provision of services	-391
1,807		**7,778**

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2020/2021 £'000		2021/2022 £'000
135,000	Proceeds from short term and long term investments	87,000
-205	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-529
-4,641	Any other items which cash effects are investing or financing cash flows	-4,540
130,154		**81,931**

26. Cash Flow Statement – Investing Activities

2020/2021 £'000		2021/2022 £'000
-20,129	Purchase of property, plant and equipment, investment property and intangible	-400
-111,000	Purchase of short-term and long-term investments	-93,500
74	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	185
0	Proceeds from shot-term and long-term investments	0
1,654	Other Receipts from Investing activities	2,723
-129,401	**Net cash flows from investing activities**	**-90,992**

27. Cash Flow Statement – Financing Activities

2020/2021 £'000		2021/2022 £'000
34,000	Cash receipts of short and long-term borrowing	13,000
-39,433	Repayments of short and long-term borrowing	-18,533
-8,278	Other payments for financing activities	7,495
-13,711	**Net cash flows from financing activities**	**1,962**

28. Agency Services

The council provides payroll services for the Wheatpieces Parish Council involving the payment of £39k to employees and £8k to Her Majesty's Revenue and Customs. The organisation pays £353 for the service.

29. Members' Allowances

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

	2020/21 £'000	2021/22 £'000
Allowances	348	344
Mileage & Subsistence	0	2
Other Expenses	0	0
Total Reimbursement	**348**	**346**

The above figures include a basic allowance for each member of £7,350 (2020/2021 £7,350)

30. Officers' Remuneration

The remuneration paid

Post Title	Note	Year	Salary, Fees and Allowances £'000	Pension Contributions £'000	Total Remuneration £'000
Current Posts					
Chief Executive		2021/2022	122	0	122
		2020/2021	107	0	107
Deputy Chief Executive	1	2021/2022	0	0	0
		2020/2021	74	14	88
Borough Solicitor	2	2021/2022	104	19	123
		2020/2021	96	19	115
Section 151 Officer (Chief Finance Officer)		2021/2022	82	16	98
		2020/2021	78	15	93
Head of Community Services		2021/2022	75	15	90
	4	2020/2021	70	14	84
Head of Development Services		2021/2022	74	15	89
	4 & 5	2020/2021	45	9	54

Head of Corporate Services		2021/2022	75	15	90
	4	2020/2021	70	14	84
Director of One Legal	3	2021/2022	7	1	8
		2020/2021	0	0	0
Garden Town Programme Director		2021/2022	79	16	95
	4	2020/2021	78	15	93
Total		**2021/2022**	**618**	**97**	**715**
	6	**2020/2021**	**618**	**100**	**718**
	7	**2020/2021**	**355**	**48**	**403**

Notes

1. The Deputy Chief Executive left the authority on 03/01/2021.

2. Up until 01/10/2021, the Borough Solicitor provided services for both the council and Cheltenham Borough Council. She is formally employed by the council and Cheltenham Borough was recharged 34.79% of her salary and other remuneration until then. After 01/10/2021 her costs are fully paid by Tewkesbury Borough Council.

3. The Director of One Legal started on 07/03/2022.

4. Prior year figures have been provided for comparative purposes but separate disclosure was not required in 2020/21, as the employee did not directly report to the Head of Paid Service in that year. Restructure in 2021/22 due to deletion of Deputy Chief Executive post, so Heads of Service now report directly to the Chief Executive.

5. The Head of Development Services started on 20/07/2020.

6. 2020/21 Total restated including Heads of Service not required to be separately reported in 2020/21

7. 2020/21 Original total - As per last year's Financial Statements.

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

			Number of Employees	
Remuneration Band			**2020/2021**	**2021/2022**
			Total	**Total**
	£50,000	£54,999	3	5
	£55,000	£59,999	1	1
	£60,000	£64,999	3	3
	£65,000	£69,999	0	0
	£70,000	£74,999	5	2
	£75,000	£79,999	1	1
			13	**12**

8. Prior year figure includes two employees who are now identified separately as senior employees in 2021/22 so are therefore excluded from banding in 2021/22.

9. Prior year figure employee now identified separately as senior employee so excluded from banding in 2021/22.

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

Exit package cost band (including special payments)	Number of redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
£	2020/2021	2021/2022	2020/2021	2021/2022	2020/2021	2021/2022	2020/2021	2021/2022
							£'000	£'000
0 - 20,000	0	0	0	1	0	1	0	10
20,001 - 40,000	0	0	1	0	1	0	25	0
Total cost included in bandings and in the CIES	**0**	**0**	**1**	**1**	**1**	**1**	**25**	**10**

The total cost of £10k in the table above includes £10k for exit packages that have been charged to the authority's Comprehensive Income and Expenditure Statement in the current year.

Termination Benefits

There are no potential termination benefits due in the 2022/2023 financial year as a result of decisions made before the 31 March 2022.

31. Audit Costs

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

	2020/2021 £'000	2021/2022 £'000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor.	35	63
Fees payable to Grant Thornton for the certification of grant claims and returns.	25	35
	60	98

The council has incurred extra fees in the current year for the certification of the Housing Benefit Subsidy claim for 2020-21 and the main audit of the financial statements. An additional fee of £8,700 for the Housing Benefit audit and £24k for the main audit takes the total cost to £33,700 and £59,089 respectively for the 2020-21 year.

32. Grant Income

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

	2020/2021 £'000	2021/2022 £'000
Credited to Taxation and Non Specific Grant Income		
S.31 Grants & Contributions (supporting the NDR regime)	-6,474	-2,817
Revenue Support Grant	-23	-23
Lower Tier Service Grant	0	-932
New Homes Bonus Grant	-3,763	-2,509
Council Tax income compensation	-128	0
Other Grants	-14	-148
Covid Support Grants - Emergency funding for LA spending Pressures	-1,248	-644
	-11,650	-7,073
Capital Grants		
Disabled Facilities Grants	-500	-456
Ashchurch Bridge - as per Homes England	-792	-178
	-1,292	-634
Total	**-12,942**	**-7,707**

Grants Credited to Services

	2020/2021 £'000	2021/2022 £'000
COVID-19 Business Grants		
ARGR: Additional Restrictions Support Grant	-2,744	-947
LRSO: Local Restrictions Support Grant (Open)	-307	0
DCBG Discretionary Covid business Grants	-883	0
Local Taxation Administration Grants	-120	-88
Planning Related Grants	-20	-150
Garden Towns	-658	-545
Homelessness Grants	-176	-321
Community Recovery Flooding	-93	0
COVID Sales Fees and Charges Support Grant	-475	0
Covid Support Grants	-455	0
Self-isolation payments funding	-156	-119
Housing Benefit Administration & Associated Grants	-172	-169
Housing Benefit Grant	-13,740	-11,686
Discretionary Housing Payments Subsidy	-94	-27
Business Flood Grant	-240	0
Heating Replacement Grant	-304	0
England Sports Council Covid National Leisure Recovery Fund	-172	-12
Police and Crime Commissioner Elections	0	-87
Parliamentary Elections	-29	0
Gloucestershire County Council Elections	0	-76
Covid Environmental Health Officers Compliance Work	-200	0
Health Initiatives	-213	0
Other Government Grants	-388	-1,206
Contributions Credited to Services		
Joint Core Strategy - Contributions from Cheltenham Borough Council and (	-85	-180
Other Contributions from Other bodies	-84	-25
Contributions in relation to S.106 agreements	-1,483	-1,184
Joint Core Strategy other Contribution	0	-1,000
Total	**-23,291**	**-17,822**
Agency Grants - not credited to services		
Restart COVID business grants	0	-4,254
Omicron COVID business grants	0	-966
CADP: Closed Addendum Payment (lockdown)	-3,321	0
CSPP: Christmas Support Payment Pubs	-32	0
LRSC: Local Restrictions Support Grant (Closed)	-296	0
LRSG: Local Restrictions Support Grant (Closed) Addendum	-4,509	0
CVBG Coronavirus Business Rate Grant for Small Business	-17,065	0
Garden Towns	-1,500	0
	-26,723	**-5,220**
Grand Total	**-62,956**	**-30,749**

The authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

Current liabilities

Grant receipts in advance (revenue grants)	2020/2021 £'000	2021/2022 £'000
Council tax rebate grant	0	4,754

33. Related Party Transactions

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

Central Government

The UK Central government has significant influence over the general operations of the council – it is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 32.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2021/2022 is shown in Note 29. Details of transactions involving Members of the council are recorded in the Register of Members' Interest, which is open to public inspection. All contracts and payments were made in accordance with the council's contract procedure rules.

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

During the year we had an arrangement to share our Monitoring Officer with Cheltenham Borough Council. As this is a senior role with independent statutory powers it is disclosed within Note 30.

Declarations made involving material financial transactions are listed below:

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

Precepts for the County and the Police Authority are shown in the Collection Fund. Total of precepts paid to parishes are shown in the Comprehensive Income and Expenditure Account on page 2.

In addition to council tax and business rate precepts, the Council also made payments of £356k for both grants and services to Gloucestershire County Council. 5 Borough Council members also declared a relationship with the County Council during 2021/2022.

The council provides grant funding which is available to parish councils. Many borough councillors are also parish council representatives or have a relationship with the council that they have declared. Below is an analysis of significant funding awards made to parish councils during 2021/2022.

		No. of Members	Payments other than precepts £'000
Parish	Bishop's Cleeve	1	97
	Brockworth	3	182
	Gotherington	1	16
	Highnam	1	11
	Northway	2	17
	Tewkesbury	4	25
	Wheatpieces	1	24
	Winchcombe	3	70

General Related Parties

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

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

Related Party	No. of Members	Payments 2021/2022 £'000
Brockworth Link	1	146
Churchdown Community Association	1	22
Cotswold AONB (Cotswold Conservation Board)	2	5
Gloucestershire Wildlife Trust	1	3
Landmark Trust	1	16
National Trust	1	35
Police & Crime Commissioner	2	10
Priors Park Neighbourhood Project	1	13
Roses Theatre	1	19
Wheatpieces Community Centre	1	13

Officers

The Head of Corporate Services has declared an interest in Covid-19 business grants of £19k paid to a business owned by their partner. The grants were awarded by the Covid-19 Business Grants Team based on applications received. The Head of Corporate Services was not involved in any aspect of the assessment of the grant application or the decision to award the payment.

34. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed. The CFR is analysed in the second part of this note.

	2020/2021 £'000	2021/2022 £'000
Opening Capital Financing Requirement	**36,254**	**55,354**
Capital Investment		
Property Plant & Equipment	995	654
Investment Asset	19,740	0
Intangible assets	33	5
Revenue Expenditure Funded from Capital Under Statute	425	621
	21,193	1,280
Sources of finance		
Capital receipts	-236	-318
Government grants and other contributions	-1,217	-768
Sums set aside from revenue:		
Direct Revenue Contributions	0	-194
Minimum Revenue Provision	-640	-882
	-2,093	-2,162
Closing Capital Financing Requirement	**55,354**	**54,472**
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by Government financial assistance)	19,100	-882
Increase/(decrease) in Capital Financing Requirement	**19,100**	**-882**

35. Leases

The council as Lessee

Operating Leases

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

Land Land for Bishops Walk Car Park

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

	2020/2021 £'000	2021/2022 £'000
Not later than one year	48	50
Later than one year and not later than five years	59	13
	107	**63**

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

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

	2020/2021 £'000	2021/2022 £'000
Minimum Lease Payments	49	59
	49	**59**

The council as lessor

The council leases out land and buildings under operating leases for the following purposes:
- For the provision of community services such as sports facilities, recreational, cultural and holiday facilities. The primary examples are:

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

- For income generation purposes

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

Car showroom in Crawley

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

	2020/2021 £'000	2021/2022 £'000
Not later than one year	3,245	3,313
Later than one year and not later than five years	10,906	11,260
Later than five years	11,012	9,336
	25,163	**23,909**

March 2022 reflect all break clauses. We have taken a prudent approach whereas we will not receive any lease payments after this date.

Xtralite and Halfords reached the end of their lease agreements. New agreement with Ward Polymers signed for a period of 5 years with a projected future income of £430k. The existing long term leases have one year less left to run than last year, so the total rent due over the term of the leases will be lower.

Contingent rents received in the year were:

	2020/2021	2021/2022
	£'000	**£'000**
Contingent Rents	39	22

36. Defined Benefit Pension Schemes

36.1 Participation in Pension Schemes

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

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

36.2 Transactions relating to Post-employment Benefits

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

a). Comprehensive Income and Expenditure Statement	**2020/2021**	**2021/2022**
	£'000	**£'000**
Cost of Services:		
- Current service cost	2,182	3,534
- Past service cost	0	3
Financing and Investment Income and Expenditure		
- Net interest expense	652	745
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**2,834**	**4,282**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
- Return on plan assets (excluding the amount included in the net interest expense)	-12,473	-3,273
- Actuarial gains and losses arising on changes in demographic assumptions	1,114	-472
- Actuarial gains and losses arising on changes in financial assumptions	20,441	-6,824
- Other	-771	183
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**11,145**	**-6,104**

b). Movement in Reserves Statement	2020/2021	2021/2022
	£'000	£'000
- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	-2,834	-4,282
Actual amount charged against the General Fund Balance for pensions in the year:		
- Employers' contributions payable to scheme	2,937	2,835

36.3 Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the council's obligation in respect of its defined benefit plan is as follows:

	2020/2021 £'000	2021/2022 £'000
Present value of the defined benefit obligation	102,439	98,910
Fair value of plan assets	-65,465	-70,875
Net liability arising from defined benefit obligation	**36,974**	**28,035**

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

	2020/2021	2021/2022
	£'000	£'000
Opening fair value of scheme assets at 1 April	**51,069**	**65,465**
Interest income	1,182	1,317
Remeasurement gain/(loss):		
- The return on plan assets, excluding the amount included	12,414	3,273
Contributions from employer	2,868	2,765
Contributions from employees into the scheme	424	451
Benefits paid	-2,492	-2,396
Closing fair value of scheme assets at 31 March	**65,465**	**70,875**

36.5 Reconciliation of Present Value of the Scheme Liabilities:

	2020/2021 £'000	2021/2022 £'000
Opening balance at 1 April	**79,869**	**102,439**
Current service cost	2,182	3,534
Effect of Settlements	0	0
Interest cost	1,834	2,062
Contributions from scheme participants	424	451
Remeasurement gain/(loss):	0	0
- Actuarial gains/losses arising from changes in demographic assumptions	1,114	-472
- Actuarial gains/losses arising from changes in financial assumptions	20,441	-6,824
- Other	-771	183
Past Service Cost	-93	3
Benefits paid	-2,561	-2,466
Closing balance at 31 March	**102,439**	**98,910**

36.6 Local Government Pension Scheme assets comprised:

	Period Ended 31 March 2021				Period Ended 31 March 2022			
Asset category	Quoted prices in active markets **£'000**	Quoted prices not in active markets **£'000**	Total **£'000**	% of Total Assets	Quoted prices in active markets **£'000**	Quoted prices not in active markets **£'000**	Total **£'000**	% of Total Assets
Equity Securities	0	0	0	**0%**	0	0	0	**0%**
Debt Securities	8,637	0	**8,637**	**13%**	0	0	0	**0%**
Private Equity	0	334	**334**	**1%**	0	773	**773**	**1%**
Real Estate	3,170	1,281	**4,451**	**7%**	2,951	2,550	**5,501**	**8%**
Investment Funds and Unit Trusts	4,765	45,439	**50,204**	**77%**	4,527	59,131	**63,658**	**90%**
Derivatives	21	0	**21**	**0%**	0	0	0	**0%**
Cash and Cash Equivalents	1,819	0	**1,819**	**3%**	944	0	**944**	**1%**
Totals	**18,412**	**47,054**	**65,466**	**100%**	**8,422**	**62,454**	**70,876**	**100%**

36.7 Basis for Estimating Assets and Liabilities

An estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The figures disclosed below have been derived by suitable approximation methods from the full actuarial valuation of the Fund carried out by Hymans Robertson LLP as at 31 March 2019. The next formal valuation will be as at 31 March 2022.

The significant assumptions used by the actuary have been:

	2020/2021	2021/2022
Indicative default assumptions		
Duration category		
Short	2.0%	2.20%
Medium	2.0%	2.25%
Long	2.1%	2.25%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
• Men	21.9	21.7
• Women	24.3	24.1
Longevity at 65 for future pensioners:		
• Men	22.9	22.6
• Women	26.0	25.8
Rate of increase in salaries	3.2%	3.5%
Rate of increase in pensions	2.9%	3.2%
Rate for discounting scheme liabilities	2.0%	2.7%

36.8 Commutation

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

36.9 Sensitivity Analysis

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

Impact on the Defined Benefit Obligation in the scheme

Change in assumptions at year ended 31 March 2022	Approx. % increase to Employer Liability	Approx. monetary amount (£'000)
0.1% decrease in Real Discount Rate	2%	1,869
1 year increase in member life expectancy	4%	3,956
0.1% increase in the Salary Increase Rate	0%	185
0.1% increase in the Pension Increase Rate	2%	1,670

36.10 Impact on the council's cash flows

The objectives of the scheme are to keep employers' contributions at a stable, affordable rate whilst ensuring the solvency of the fund at the same time. The County Council has agreed a strategy with the scheme's actuary to cap the employer contribution rate for 3 years, until the next triennial valuation in 2022, with a stepped monetary amount to stabilise the payments.

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

The authority expect to pay £2.56m contributions to the scheme in 2022/23.

36.11 Legal and regulatory uncertainty

No explicit additional adjustment for McCloud has been added to the current service cost for 2021/22 as this has been included in the prior year's results schedule.

There are other court cases which may impact LGPS benefits in the future however the actuary doesn't foresee any significant impact on our pension obligations and so, until further guidance is released, no allowance has been made in the final results.

37. Contingent Assets & Liabilities

37.1 Contingent Assets
There are no identified contingent assets in 2021/2022.

37.2 Contingent Liabilities
There are no identified contingent liabilities in 2021/2022.

Note 38. Nature and extent of risks arising from financial instruments

The council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2021.

In line with the Treasury Management Code, the council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

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

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

Credit Risk: Overview

The Council is exposed to credit risk on the following categories of financial assets and commitments:

Exposure Category	2020/2021 £000s	2021/2022 £000s
Treasury investments	20,536	32,639
Trade receivables	369	1,387
Total Credit Risk Exposure	**20,905**	**34,026**

Further information on these categories are included in the following sections.

Credit Risk: Treasury Investments and Commitments

The council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £2m (with the exception of the CCLA Property fund which has a £4m limit forming part of a balanced pooled fund portfolio) is placed on the amount of money that can be invested with a single counterparty (note that the council can place unlimited funds with UK government). For unsecured investments in banks, building societies and companies, a smaller limit of £1m applies. The council also sets limits on investments in certain sectors. No more than £6m in total can be invested for a period longer than one year.

The table below summarises the credit risk exposures of the council's treasury investment portfolio by credit rating and remaining time to maturity:

Credit Rating	2020/2021		2021/2022	
	Long-term £000s	Short-term £000s	Long-term £000s	Short-term £000s
AAA	0	0	0	5,500
AA+	0	0	0	0
AA	0	0	0	0
AA-	0	0	0	0
A+	0	1,000	0	0
A	0	2,000	1,000	0
A-	0	2,000	0	0
BBB+	0	0	0	0
Unrated local authorities	0	2,000	0	10,000
Unrated building societies	0	0	0	0
Unrated housing associations	0	0	0	0
Total	**0**	**7,000**	**1,000**	**15,500**
Credit risk not applicable *	8,453	3,000	9,558	6,500
Total Investments	**8,453**	**10,000**	**10,558**	**22,000**

* Credit risk is not applicable to shareholdings and pooled funds where the council has no contractual right to receive any sum of money.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 67% (2021: 131%) to adjust for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by [three] or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent. At 31st March 2022, £0 (2021: £0) of loss allowances related to treasury investments.

At 31 March 2022 the 12 month expected loss allowance estimate for the loan portfolio is calculated to be £167 This loss allowance is not material to the accounts and so no adjustment has been made to balances held in the financial statements.

Credit Risk: Trade and Lease Receivables and Contract Assets

The council's credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

The following analysis summarises the council's trade receivables, by due date. Only those receivables meeting the definition of a financial asset are included.

	Loss Allowance Calculation	2020/2021	2021/2022
	%	£'000	£'000
One to three months	5	12	48
Three to six months	10	5	35
Six Months to one year	15	90	25
More than one year	>20	94	98
TOTAL		**201**	**206**

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

The council has no reason to expect any losses from counterparties in relation to financial instruments held. The council can utilise the unallocated revenue reserves of £1m (working balance as at 31 March 2022) to cover any unexpected losses.

Liquidity Risk

The council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. The current objective as advised by our treasury management advisors, is to strike an appropriately low risk balance between securing current low interest costs and achieving certainty of those costs over the period for which funds are required. The benefits of internal/short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. The council's treasury management advisors will assist the Authority with this 'cost of carry' and breakeven analysis.

The maturity analysis of financial liabilities is as follows:

	2020/2021 £'000	2021/2022 £'000
Less than one year	18,730	13,719
Between one and two years	0	0
Between two and five years	0	0
More than five years	20,867	20,333
TOTAL	**39,597**	**34,053**

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

Market Risk

Interest rate risk

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

• Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise.

• Borrowings at fixed rates - the fair value of the liabilities borrowings will fall.

• Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise.

• Investments at fixed rates - the fair value of the assets will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

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

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

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

As the council only has fixed rate investments a change in the interest rate would have minimal effect on the council. However the impact of a 1% increase in interest rates on the short term investment and borrowing portfolio as at the 31 March 22 would be an additional loss of £20k (Investments £89k, and borrowing -£109k)

Market Risks: Price Risk

The council's investment in a pooled property fund is subject to the risk of falling commercial property prices. A 5% fall in commercial property prices at 31st March 2022 would result in a £206k (2021: £192k) charge to Other Comprehensive Income and Expenditure.

The council's investment in a pooled equity funds is subject to the risk of falling share prices. A 5% fall in share prices at 31st March 2022 would result in a £108k (2021: £104k) charge to Other Comprehensive Income and Expenditure.

The Council's investment in a real estate investment trust (REIT) is subject to the risk of falling residential property prices. This risk is limited by the Council's maximum exposure to REITs of £0.5m. A 5% fall in residential property prices at 31st March 2022 would result in a £28k (2021: £0) charge to Other Comprehensive Income and Expenditure which would be reflected in the Financial Instruments Revaluation Reserve.

Legal and Regulatory Risk Management

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

Inflation Risk Management

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

39. Trust Funds

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

Sole Trustee

The Horsford Trust

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

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

	2020/2021 £'000	2021/2022 £'000
Income	8	10
Expenditure	-3	-14
	5	-4

Reserve held on behalf of the Trust is carried in our balance sheet. In 2021/2022 it was £71k (£75k in 2020/2021).

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

COLLECTION FUND

2020/2021 £'000 Business rates	2020/2021 £'000 Council Tax	2020/2021 £'000 Total	Income	Note	2021/2022 £'000 Business rates	2021/2022 £'000 Council Tax	2021/2022 £'000 Total
0	63,252	**63,252**	Council Tax Receivable	CIES	0	67,224	**67,224**
			Transfer from General Fund:				
0	0	**0**	Council Tax Discounts Funded from Billing Authority General Fund	CIES	0	25	**25**
29,926	0	**29,926**	Business Rates Receivable		35,742	0	**35,742**
127	0	**127**	Transitional Protection Payments Due		0	0	**0**
			Contributions Towards Previous Year's Deficit				
0	0	**0**	Central Government Share		5,813	0	**5,813**
0	0	**0**	Tewkesbury Borough Council		4,650	0	**4,650**
0	0	**0**	Gloucestershire County Council		1,163	0	**1,163**
30,053	**63,252**	**93,305**	**Total Income**		**47,368**	**67,249**	**114,617**
			Expenditure				
			Precepts, Demands and Shares				
18,879	0	**18,879**	Central Government Share		17,441	0	**17,441**
15,103	6,540	**21,643**	Tewkesbury Borough Council		13,952	6,822	**20,774**
3,776	47,545	**51,321**	Gloucestershire County Council		3,488	49,890	**53,378**
	9,091	**9,091**	Gloucestershire Police Authority		0	9,562	**9,562**
0	0	**0**	Transitional Protection Payments		398	0	**398**
11,055	0	**11,055**	Contribution towards deficit		0	0	**0**
190	0	**190**	Renewable Energy Disregards		247	0	**247**
120	0	**120**	Cost of Collection Allowance		120	0	**120**
49,123	**63,176**	**112,299**			**35,646**	**66,274**	**101,920**
			Bad and Doubtful Debts:				
290		**290**	Write Offs		0		**0**
413	86	**499**	Allowance for Non Collection (Bad Debts)		420	190	**610**
			Settlement against Provision		-1,840	0	**-1,840**
532		**532**	Change in Provision		3,370	0	**3,370**
1,235	**86**	**1,321**			**1,950**	**190**	**2,140**
0	790	**790**	**Transfer of Collection Fund Surplus**	BS	0	240	**240**
50,358	**64,052**	**114,410**	**Total Expenditure**		**37,596**	**66,704**	**104,300**
-20,305	**-800**	**-21,105**	**Surplus/(Deficit)**		**9,772**	**545**	**10,317**
			Movement on Fund	BS			
8,653	1,238	**9,891**	Balance at 1st April		-11,652	438	**-11,214**
-20,305	-800	**-21,105**	Surplus/(Deficit)		9,772	545	**10,317**
-11,652	**438**	**-11,214**	**Balance as at 31st March**		**-1,880**	**983**	**-897**
			Allocated to:				
-5,826	0	**-5,826**	Central Government		-940	0	**-940**
-4,661	45	**-4,616**	Tewkesbury Borough Council		-752	101	**-651**
-1,165	330	**-835**	Gloucestershire County Council		-188	740	**552**
0	63	**63**	Gloucestershire Police Authority		0	142	**142**
-11,652	**438**	**-11,214**			**-1,880**	**983**	**-897**

NOTES TO THE COLLECTION FUND

1. General

The Collection Fund is a statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and National Non-Domestic Rates (NNDR) and its distribution to local government bodies and the Government.

The account is a statutory fund required by the Local Government Finance Act 1988, separate from the other revenue accounts of the Council, whose transactions are wholly prescribed by legislation. The Council has no discretion to determine which receipts and payments are accounted for within and outside the Fund.

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

The CIPFA Code of Practice followed by local authorities in England stipulates that a Collection Fund Income and Expenditure account is included in the Council's accounts. The Collection Fund Balance Sheet meanwhile is incorporated into the Council's Balance Sheet.

2. Council Tax

2.1 Council Tax Property Valuations

Residential properties are classified by the District Valuer into eight bands based on their estimated value at 1 April 1991. Each band has a multiplier on which the eventual tax is set. The only exception is where properties have been adapted for physically disabled residents where a special band has been introduced.

The valuation banding and multipliers are as follows:

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

2.2 Council Tax Base

For 2021/2022 the tax base was 35,403.02 (35,340.88 in 2020/2021). This increase was mainly due to property growth in the borough.

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

The 2021/2022 base was calculated as follows:

Band	Number of Chargeable Dwellings	Multiplier	Band D Equivalents
A	5,497.00	6/9	3,664.67
B	5,795.25	7/9	4,507.42
C	10,660.50	8/9	9,476.00
D	5,718.50	9/9	5,718.50
E	5,036.00	11/9	6,155.11
F	3,292.25	13/9	4,755.47
G	1,875.75	15/9	3,126.25
H	182.25	18/9	364.50
Total Band D Equivalents			37,767.92
Growth Adjustment			-2,079.45
Collection Rate			98.00%
Chargeable Band D Equivalents			34,974.70
Armed Forces class 'O' contributions in lieu of Council Tax			428.32
Council Tax Base			35,403.02

2.3 Council Tax Level

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

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

	2020/2021 £'000	2021/2022 £'000
Gloucestershire County Council	47,545	49,891
Police Authority	9,091	9,561
Tewkesbury Borough Council	4,395	4,580
Total for Parishes	2,145	2,242
	63,176	**66,274**

The Council set an average council tax level for 2021/2022 at Band D of £1,871.99, including Parish precepts (1,787.63 in 2020/2021). This is broken down as follows:

	2020/2021 £	2021/2022 £
Gloucestershire County Council	1,345.32	1,409.22
Police Authority	257.25	270.08
Tewkesbury Borough Council	124.36	129.36
Average Parish	60.70	63.33
	1,787.63	**1,871.99**

The Band D tax level for Parish budgets ranged from nil to £135.33

3. Income from Business Ratepayers

The Council collects Non-Domestic (Business) Rates for its area. These are based on local rateable values set by the District Valuer £93,111,271 at 31 March 2022 (£93,027,160 at 31 March 2021), multiplied by a uniform rate in the pound set by Central Government. The government provided a reduced rate for businesses with small rateable values of less than £51,000. For 2021/2022 this was set at 49.9p (2020/2021 49.9p), with the standard rate in the pound being 51.2p (2020/2021 51.2p) for the year.

TO FOLLOW

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GLOSSARY OF FINANCIAL TERMS

Accounting Policies

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

Accruals

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

Actuarial Gains and Losses

These comprise:

Experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), and

The effects of changes in actuarial assumptions.

Capital Receipts

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

Capital Expenditure

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

Cash Equivalents

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

Creditor

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

CIPFA

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

Contingent Asset

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

Contingent Liability

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control, or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Control

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

Current Service Cost

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

Depreciation

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

Dominant Influence

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

Entity

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

External Audit

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

Fair Value

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

Financial Regulations

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

Financial Year

The financial year runs from 1st April to 31st March.

General Fund (GF)

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

Government Guidelines

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

Gross Expenditure

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

Housing Benefits

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

Housing Subsidy

Subsidies payable by Central Government to reduce housing costs.

Interest on Revenue Balances (or interest receipts)

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

Internal Audit

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

IFRS

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

Inventories

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

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

Liability

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

Material

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

Minority Interest

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

Minimum Revenue Provision

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

Non-Domestic Rates (NDR)

Local tax for businesses based on value of business properties.

Past Service Cost

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

Precept

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

Prior Period Adjustments

Prior period adjustments are required when an error is material.

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

Provision
A liability of uncertain timing or amount.

P.W.L.B.
Public Works Loan Board

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

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

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

Revenue Support Grant (RSG)
A grant paid by Central Government, to local authorities, in aid of revenue. This is not paid for specific services.

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

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

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

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

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

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

Vested Employee Benefits
Employee benefits that are not conditional on future employment.

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit and Governance Committee (Special)
Date of Meeting:	12 December 2022
Subject:	Internal Audit Monitoring Report
Report of:	Chief Audit Executive (Head of Corporate Services)
Head of Service/Director:	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 in the period. This includes a level of assurance as to how well the internal control environment is managed for each audit assignment undertaken.

Recommendation:

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

Financial Implications:

None arising directly from this report.

Legal Implications:

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

Environmental and Sustainability Implications:

None arising directly from this report.

Resource Implications (including impact on equalities):

None arising directly from this report.

Safeguarding Implications:

None arising directly from this report.

Impact on the Customer:

None arising directly from this report other than providing interested residents with assurance as to the adequacy of the Council's internal control, risk and governance environment.

1.0 INTRODUCTION

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.

2.0 COMPLETED AUDIT ASSIGNMENTS FOR THE PERIOD

2.1 Internal audit recently updated the Committee on their findings in relation to audits concluded on bulky waste, treasury management and e-ploy (new automated recruitment system). This was reported on 23 November 2022. Since that date, an audit of the management arrangements for the General Data Protection Regulation (GDPR) risk has been finalised. This is identified as a risk within the Council's corporate risk register.

2.2 The audit opinion is a positive one, in that the risk, the controls in place and actions to be undertaken are accurately reflected within the risk register. Arrangements in place to manage the GDPR risk include a risk based GDPR action plan, data breach reporting framework, an established Information Governance Board and awareness training.

2.3 In terms of other internal audit work, audit assignments on cemeteries and car parks are at draft report stage. Work has also commenced on the following audits: complaints, Human Resources (annual leave and time recording), ICT laptop inventory.

3.0 CONSULTATION

3.1 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.

4.0 ASSOCIATED RISKS

4.1 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.

5.0 MONITORING

5.1 An internal audit monitoring report of work undertaken is presented at each Audit and Governance Committee.

6.0 RELEVANT COUNCIL PLAN PRIORITIES/COUNCIL POLICIES/STRATEGIES

6.1 The work of internal audit supports the internal control, risk mitigation and governance of Council plan priorities.

Background Papers: Internal Audit Six Monthly Plan (April-September 2022) – approved by Audit and Governance Committee on 24 Mar 2022

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Appendices: One – Internal Audit Monitoring Report.

Appendix One

Audits

Audit: Corporate Risk Register- General Data Protection Regulation (GDPR) 2022/2023

Introduction: The Data Protection Act 2018 (DPA) and General Data Protection Regulation (GDPR) came into effect on 25 May 2018. The Council must comply with all relevant legislation and maintain good practices to protect the personal data held. A significant amount of work was undertaken prior to this date to ensure the Council was broadly compliant and this work is ongoing to maintain compliance. The Council has an approved Data Protection Policy that provides guidance to ensure that all personal data is lawfully processed by the Council and meets the seven key principles of the regulations. Non-compliance can result in potential fines form the Information Commissioner's Office (ICO) and compensation claims by an individual. As such, GDPR is included as a key risk on the council's corporate risk register.

Risk identified:	Level of Control:	Overall opinion:	Recommendations:
O1: Key controls stated in the corporate risk register in respect of GDPR planning are not in place and/ or working effectively	Substantial	Risks identified on the council's corporate risk register are regularly reviewed and commented upon by Corporate Management Team. In addition, the risk register is presented to and considered by the Audit and Governance Committee on a quarterly basis. General Data Protection Regulation is being managed as a key risk within the corporate risk register. Adequate mitigating controls have been identified to manage this risk and audit testing concluded the following in respect of their implementation: One of the mitigating controls of the Corporate Risk Register for GDPR is the regular review and update of the GDPR Action Plan, which is reviewed regularly by the Information Governance Board. **<u>Corporate Risk Register</u>** The terms of reference of the Audit and Governance Committee provide that Members gain assurance that key risks of the Council are being effectively managed. This is achieved through the risk management framework and associated Corporate Risk Register. The latest version was presented to the Committee on 23rd November 2022. The risk in respect of General Data Protection Regulation is identified in this document is recorded as follows: *'If the Council is not compliant with General Data Protection Requirements, then*	None required

		there is a risk of financial penalties and adverse publicity'. To mitigate this risk, controls are in place as shown below. Whilst it is not possible to completely reduce the likelihood of the risk crystalising, or the resulting impact, we can provide assurance that they are proportionate and are operating effectively. **Data Protection Policy** There is a Data Protection Policy, which is due to be updated and presented to the Audit and Governance Committee in March 2023. **Governance Structure** There is a strong governance structure, with key roles and responsibilities assigned and an Information Governance Board which meets regularly. **Breach Reporting Framework** A data breach reporting framework is in place that sets out the actions to be taken in respect of data breaches. **Staff Awareness Training** Staff have undertaken GDPR training and continue to particate in e-learning annually. Members were trained prior to the implementation of GDPR and will all be required to undertake e-learning after May 2023. Regarding the GDPR risk management action points, appropriate and timely action has been taken as follows: **Rollout of e-learning module** An e-learning training package has been rolled out across the Council with all staff required to undertake this annually. Members are due to undertake e-learning in May 2023, after the local elections. **Implementation of Audit Recommendations** The follow up audit, undertaken in August 2021 confirmed that recommendations had been implemented and the risks identified mitigated. **Review of Data Protection Policy** The Data Protection Policy will be updated and presented to the Audit and Governance Committee in March 2023	

	Reasonable	**GDPR Action Plan** The GDPR Action Plan is reviewed regularly by the Information Governance Board, to confirm that agreed actions remain appropriate, to identify new risks and to ensure that agreed timescales for completion are met. Our review of the Action Plan confirmed that several actions have been completed or are in progress. It was also found that some completion dates have been extended, for example: • Review of previous data audit - completion date was September 2022, now July 2023 – review in progress • Develop guidance of privacy impact assessments - completion date was July 2022, now October 2023 – review not started The plan is risk based to prioritise actions – the Council has a Single Point of Contact (SPoC) to deal with information governance. An update on the action plan and management of GDPR is presented annually to Audit and Governance Committee by the Council's Data Protection Officer.	

Recommendations Rating

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

Level of control

Level of control:	Definition:	Guidance:
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.