

19 September 2023

<b>Committee</b>	Audit and Governance Committee
<b>Date</b>	Wednesday, 27 September 2023
<b>Time of Meeting</b>	2:00 pm
<b>Venue</b>	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 24 January 2023 of the Tewkesbury Borough Council Code of Conduct, effective from 1 February 2023, as set out in Minute No. CL.72, Members are invited to declare any interest they may have in the business set out on the Agenda to which the approved Code applies.



	<b>Item</b>	<b>Page(s)</b>
<b>4.</b>	<b>MINUTES</b>  To approve the Minutes of the meeting held on 19 July 2023.	1 - 9
<b>5.</b>	<b>AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME</b>  To consider the Audit and Governance Committee Work Programme.	10 - 16
<b>6.</b>	<b>EXTERNAL AUDITOR'S FINDINGS</b>  To consider the external auditor's findings 2022/23.	17 - 50
<b>7.</b>	<b>LETTER OF REPRESENTATION 2022/23</b>  To approve the S151 Officer's Letter of Representation on the closure of the accounts for the year ended 31 March 2022.	51 - 56
<b>8.</b>	<b>STATEMENT OF ACCOUNTS 2022/23</b>  To approve the Statement of Accounts 2022/23 and to delegate authority to the Executive Director: Resources, in consultation with the Chair of the Audit and Governance Committee, to make any necessary amendments upon receipt of advice from the external auditor on any outstanding issues.	57 - 153
<b>9.</b>	<b>ANNUAL GOVERNANCE STATEMENT 2022/23</b>  To approve the Annual Governance Statement 2022/23.	154 - 170
<b>10.</b>	<b>CORPORATE RISK REGISTER</b>  To consider the risks contained within the Corporate Risk Register and assurance that the risks are being effectively managed.	171 - 189
<b>11.</b>	<b>INTERNAL AUDIT PLAN MONITORING REPORT</b>  To consider the internal audit work undertaken and the assurance given on the adequacy of internal controls operating in the systems audited.	190 - 207
<b>12.</b>	<b>INTERNAL AUDIT SIX MONTH PLAN 2023/24</b>  To approve the Internal Audit Six Month Plan 2024/24 (Oct-Mar).	208 - 214

**DATE OF NEXT MEETING**  
**WEDNESDAY, 22 NOVEMBER 2023**  
**COUNCILLORS CONSTITUTING COMMITTEE**

Councillors: H J Bowman, S R Dove (Vice-Chair), D W Gray, E J MacTiernan, P D McLain, J P Mills, P E Smith, R J G Smith and M R Stewart (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.

## TEWKESBURY BOROUGH COUNCIL

**Minutes of a Meeting of the Audit and Governance Committee held at the Council Offices, Gloucester Road, Tewkesbury on Wednesday, 19 July 2023 commencing at 2:00 pm**

**Present:**

Chair

Councillor M R Stewart

**and Councillors:**

H J Bowman, D W Gray, E J MacTiernan, P D McLain, P E Smith and R J G Smith

**A&G.3 ANNOUNCEMENTS**

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

**A&G.4 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

4.1 Apologies for absence were received from Councillor S R Dove (Vice-Chair). There were no substitutes for the meeting.

**A&G.5 DECLARATIONS OF INTEREST**

3.1 The Committee's attention was drawn to the Tewkesbury Borough Code of Conduct which was adopted by the Council on 24 January 2023 and took effect on 1 February 2023.

3.2 There were no declarations made on this occasion.

**A&G.6 MINUTES**

6.1 The Minutes of the meetings held on 23 March and 17 May 2023, copies of which had been circulated, were approved as correct records and signed by the Chair.

**A&G.7 AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME**

7.1 Attention was drawn to the Audit and Governance Committee Work Programme, circulated at Pages No. 12-19, which Members were asked to consider.

7.2 The Director: Corporate Resources advised that the Work Programme was a combination of external audit updates, internal audit updates and corporate and finance items; some, such as the corporate risk register, came to each meeting whereas others, including the internal audit plan and counter fraud update, were six monthly and others were annual.

7.3 Accordingly, it was

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

**A&G.8 EXTERNAL AUDITOR'S AUDIT PLAN 2022/23**

- 8.1 Attention was drawn Grant Thornton's audit plan 2022/23, circulated at Pages No. 20-29, which provided an overview of the planned scope and timing of the statutory audit of Tewkesbury Borough Council. Members were asked to consider the report.
- 8.2 The representative from Grant Thornton advised that this was the last year of Grant Thornton's contract as external auditor for Tewkesbury Borough Council; as previously reported to the Audit and Governance Committee, Bishop Fleming would take over as the external auditor next year. The report set out the programme for the 2022/23 financial audit with the planning work having been completed in February/March 2023 and the final audit stage taking place now with a view to reporting back to the Committee in September. The significant risks identified were outlined at Pages No. 26-28 of the report and, as set out at Page No. 30 of the report, materiality at the planning stage equated to 2% of the Council's gross expenditure but the assessment would be kept under review throughout the audit process. It was noted that the risk assessment regarding arrangements to secure value for money in 2022/23 was not finished as Grant Thornton was yet to complete the auditor's annual report for 2021/22 and Members were informed it was planned to report on both 2021/22 and 2022/23 years following its publication. It was anticipated this would be brought to the Audit and Governance Committee in December 2023 but, assurance was provided that, if it could be done sooner, it may be possible to bring it to the meeting in September. The audit fees were set out at Pages No. 35-36 of the report and it was noted that the fee for the housing benefit audit was currently being quoted by the central grants team and would be discussed with the Council's Section 151 Officer shortly.
- 8.3 A Member drew attention to ISA240 and the presumed risk that revenue may be misstated due to the improper recognition of revenue and asked for a comment as to what extent that would impact on this years audit in comparison to previous years in terms of the scope of work. In response, the representative from Grant Thornton advised that the scale fee had been set a number of years ago by the Public Sector Audit Appointments and the breakdown at Page No. 36 of the report set out the scale fee and the various changes over the last few years which had resulted in the current fee. Whilst ISA240 had impacted in terms of the requirements and responsibilities of Grant Thornton, there was no specific impact in terms of the 2022/23 fee. The Member noted that £3,000 was allocated to increased audit requirements of revised ISA315/240 and he asked what difference there would be in terms of the work performed in order to understand why it cost more, for instance, was there more testing. The representative from Grant Thornton explained that the most significant impact was ISA315 in relation to IT general controls which required a much more detailed assessment; IT had been more prominent over the last few years but ISA315 was a step change. ISA240 dealt with the auditor's responsibilities relating to fraud in an audit of financial statements and the standard gave more prominence to the risk of fraud in the planning process. It was anticipated that £3,000 would capture all of the work required regarding both ISA315 and ISA240; however, as set out in the note at Page No. 34 of the report, the Council would be notified should any additional work be required in relation to ISA240 which would impact on the fee.
- 8.4 It was

**RESOLVED** That the external auditor's Audit Plan 2022/23 be **NOTED**.

**A&G.9 INFORMING THE RISK ASSESSMENT**

- 9.1 Attention was drawn to the external auditor's report on informing the risk assessment, circulated at Pages No. 40-72, which Members were asked to consider.
- 9.2 Members were advised that this report had been prepared as part of ISA240 and contained a series of questions to gain an understanding of management processes and the Council's oversight of a number of areas including general enquires, fraud, laws and regulations, related parties, going concern and accounting estimates. The responses had been provided by the Associate Director: Finance and were presented to the Committee for oversight and comment.
- 9.3 A Member drew attention to question 5 at Page No. 46 of the report which asked if management were aware of any changes in circumstances that would lead to impairment of non-current assets, and the response which stated that withdrawal from the Homes England Housing Infrastructure Fund (HIF) scheme had resulted in impairment of £1.9m of capitalised costs. He sought clarification as to whether a decision had actually been made to withdraw or if this was a judgement about the future of the underlying scheme. In response, the Associated Director: Finance advised that the Council had officially withdrawn from HIF funding; £1.9m had been spent and confirmation had been received that the Council was able to claim all of that money. In response to a further query regarding impairment, Members were advised that the accounting rules required a capital adjustment; as capital had been received this had to be matched-off to zero so it never reached the bottom line – it was an impairment but there was no impact in terms of the financial standing of the authority. A Member expressed the view that it would be beneficial for Members to receive a formal briefing note in relation to the official withdrawal from the HIF funding and the impact on the corporate risk register in terms of reputational damage and future bidding to the Department for Levelling Up, Housing and Communities (DLUHC).
- 9.4 It was
- RESOLVED** That the external auditor's report on informing the risk assessment be **NOTED**.

**A&G.10 CORPORATE RISK REGISTER**

- 10.1 The report of the Director: Corporate Resources, circulated at Pages No. 73-91, asked Members to consider the risks contained within the corporate risk register and assurance that the risks were being effectively managed.
- 10.2 The Director: Corporate Resources advised that the corporate risk register was brought to every Audit and Governance Committee meeting and captured the key risk faced by the authority at a high level along with mitigating controls and further action required. Whilst it was not a statutory document, corporate risk registers were commonly used throughout local government to give assurance that risks were being effectively managed. Each risk owner updated the document quarterly with amendments shown in bold and the key updates arising since the register was last presented at the Audit and Governance Committee on 22 March 2023 were summarised at Page No. 75, Paragraph 3.0 of the report. This included a positive update regarding Ref. 4 General Data Protection Regulation due to the creation of an Audit and Governance Team following the recent management restructure which would help to provide additional resilience. An internal appointment had been made to the role of Head of Service: Audit and Governance and there had been recruitment to the Information Governance Officer role with the successful candidate starting in September 2023; this was particularly pleasing as it was a niche role. With regard to Ref. 6 Asset Management and Ref. 9 Climate Change, it was noted

that the Council had been awarded £708,000 funding for a new heating system and a report was being taken to Council on 25 July 2023 regarding additional funding. In terms of Ref. 7 Garden Town, the project was currently paused but this risk would be revisited once a report had been taken to Council later in the month. A new risk had been included, Ref. 14 DEFRA consultation on waste services, due to the government white paper regarding potential changes to waste collection methodology which would have a significant impact on the authority if implemented. There were no mitigating controls as the outcome of the consultation was awaited.

10.3 With regard to Ref. 7 Garden Town, a Member indicated that he was under the impression that the gateway review had been completed and the project was now moving ahead. In response, the Executive Director: Resources advised that, although it had been considered by the Executive Committee the previous week, the report still needed to be taken to Council for approval on 25 July 2023.

10.4 It was

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

#### **A&G.11 COUNTER FRAUD AND ENFORCEMENT UNIT REPORT**

11.1 The report of the Head of Service: Counter Fraud and Enforcement Unit, circulated at Pages No. 92-102, provided the annual update on the work of the Counter Fraud and Enforcement Unit. Members were asked to consider the report.

11.2 The Head of Service: Counter Fraud and Enforcement Unit advised that the work programme for 2023/24 was attached at Appendix 2 to the report and included several additions, as set out at Page No. 93, Paragraph 1.5 of the report. Page No. 94, Paragraphs 2.1-2.2 provided information on the work of the Multi-Agency Approach to Fraud (MAAF) group which comprised representatives from the Police, Trading Standards, Victim Support, NHS and Gloucester City and County Councils. The group focused on what could be done to prevent fraud, which comprised one third of all crimes; once money had been stolen it was extremely difficult to get back so working collaboratively to raise awareness was essential. The various organisations held a lot of household information which could be used to assist with identifying scams in different postcode areas and visiting Officers could disseminate information to prevent people falling victim to fraud. It was intended to hold a session for Members to discuss how they could help disseminate information to residents; similar sessions had been held for staff the previous week.

11.3 Members were informed that fraud risk strategy work had started with Revenues and Benefits and business grants work was nearing completion as all debt information had to be transferred to central government by the end of the year. Recent casework undertaken in 2022/23 relating to investigation of alleged fraud and abuse within the Council Tax Reduction Scheme was outlined at Page No. 95, Paragraph 2.10 of the report, and reflected the Counter Fraud and Enforcement Unit having greater control as a single point of contact for Department for Work and Pensions housing benefit investigations. The team also worked with Enforcement Officers and details of five successful prosecutions were outlined at Page No. 95, Paragraph 2.11 of the report. Paragraph 3.0 of the report gave the annual report on the Regulation of Investigatory Powers Act 2000 (RIPA) and it was noted that an inspection had been completed and passed with no areas of improvement identified. Feedback had been particularly complimentary about the robust approach that was taken whereby everyone was required to complete an application form, regardless of whether it was overt or covert surveillance, in order to ensure that it was dealt with in the correct way and to mitigate any risks. It was noted that the RIPA policy was scheduled for review again this year.

- 11.4 It was  
**RESOLVED** That the Counter Fraud and Enforcement Unit annual report be **NOTED**.

#### **A&G.12 ANNUAL HEALTH AND SAFETY REPORT**

- 12.1 The report of the Environmental Safety Officer, circulated at Pages No. 103-116, summarised the Council's health and safety performance between 1 April 2022 and 31 March 2023 and outlined the work proposed for the next year. Members were asked to consider the adequacy of the Council's health and safety arrangements.
- 12.2 The Director: Communities advised that it was best practice to complete an annual report regarding the Council's health and safety arrangements and the report set out the responsibilities of Officers in the Council. Health and safety was managed largely through the Keep Safe Stay Healthy group and it was noted that particularly good work had been done in relation to the Workplace Wellbeing Programme around supporting staff and that would continue.
- 12.3 With regard to health and safety training, a Member indicated that it would be helpful to know how many staff were attending the various training sessions that were listed at Page No. 113 of the report in order to identify particular areas of focus and the Director: Communities confirmed that information was available through HR so he would look to ensure it was included in the next report.
- 12.4 It was  
**RESOLVED** That the annual health and safety report be **NOTED**.

#### **A&G.13 DATA PROTECTION OFFICER ANNUAL REPORT**

- 13.1 Attention was drawn to the report of the Director: Corporate Resources, circulated at Pages No. 117-127, which provided an assessment of the Council's general activity during 2022/23 to ensure broad compliance with the Data Protection Act 2018 and the UK General Data Protection Regulation (GDPR). Members were asked to consider the actions undertaken during the year and the action plan, attached at Appendix 1 to the report, to further improve the Council's arrangements.
- 13.2 The Head of Service: Audit and Governance explained that significant work had been carried out since the introduction of GDPR and there was a continual process to ensure the Council remained broadly compliant. A key part of that was the Single Point of Contact (SPoC) which was fulfilled by the Information Governance Officer – as had been reported earlier in the meeting, this post had recently been recruited to and the successful candidate would be starting in September. In the interim, the role had been carried out by the Head of Service: Audit and Governance. It was vital to have assurance regarding data protection and a key aspect of that was the delivery of the GDPR action plan, attached at Appendix 1 to the report. In terms of the work undertaken during the year, a new Data Protection Policy had been considered by the Audit and Governance Committee in March, and had subsequently been approved by the Executive Committee, and would now be subject to annual review; a new system, built by the Business Transformation Team on the Liberty Create platform, had been developed to manage data requests which had resulted in efficiencies due to the high number of requests received; redaction software had been rolled out to appropriate Officers; an information governance structure chart had been produced as roles and responsibilities had changed significantly; and data protection training had been delivered to Members as part of the Induction Programme – it was noted there would be an ongoing requirement for online data protection training and Members would receive notification of this via a Member Update.



13.3 In terms of priorities moving forward, a data protection retention project plan was being developed to ensure that the Council was only retaining data which it needed and that it was secure – this would be a key task for the new Information Governance Officer. In addition, a watching brief would need to be kept on the Data Protection and Digital Bill which could have impacts in terms of the requirements the Council would need to meet going forward. Work was also planned around privacy notices to ensure ongoing compliance. It was noted that an internal Information Governance and Security Board met on a regular basis to oversee data protection and GDPR related activity which included monitoring delivery of the GDPR action plan and receiving updates on any data breaches. The Head of Service: Audit and Governance advised that Tewkesbury Borough Council had a no blame culture and there was a very good level of reporting data breaches as a result. All reported breaches had been low risk so nothing had been reported to the Information Commissioner; notwithstanding this, she reiterated the importance of ensuring the Council's arrangements were continually reviewed.

13.4 It was

**RESOLVED** That the annual report on the Council's arrangements for data protection and GDPR be **NOTED**.

#### **A&G.14 INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME**

14.1 Attention was drawn to the report of the Chief Audit Executive (Director: Corporate Resources), circulated at Pages No. 128-135, which attached, at Appendix 1, the Quality Assurance and Improvement Programme. Members were asked to consider the report.

14.2 The Director: Corporate Resources explained that, in accordance with the Public Sector Internal Audit Standards (PSIAS), the Chief Audit Executive was required to develop and maintain a Quality Assurance and Improvement Programme. The Programme was attached at Appendix 1 to the report and was in two parts: the first gave a high level overview of internal audit processes and how work was quality assured and the second was an action plan setting out the work that would be carried out. The action plan included six actions and, of those, the three key actions related to an independent external assessment which was proposed for the last quarter of the financial year; implementation of a robust risk-based internal audit plan; and building a relationship with the Council's new external auditors. The Quality Assurance and Improvement Programme was reported to the Audit and Governance Committee on an annual basis.

14.3 A Member found it encouraging to see such good progress had been made in what were still quite challenging times in terms of the capacity of the team and he asked that the Committee's thanks be passed on to the relevant Officers. It was

**RESOLVED** That the Quality Assurance and Improvement Programme 2023/24 be **NOTED**.

#### **A&G.15 INTERNAL AUDIT PLAN MONITORING REPORT**

15.1 The report of the Chief Audit Executive (Director: Corporate Resources), circulated at Pages No. 136-175, provided an overview of the internal audit work completed during the period. Members were asked to consider the work undertaken and the assurance given on the adequacy of the internal controls operating in the systems audited.

15.2 Members were advised that audits had been carried out in relation to the Community Infrastructure Levy (CIL), Homelessness Prevention Grant Scheme; Gifts and Hospitality; Payroll; and the Biodiversity Net Gain Grant. Overall, from the individual opinions given, the conclusion was positive and, for the most part, there

were no significant areas of concern with the exception of one limited opinion in relation to the CIL governance arrangements. This was a longstanding issue reflected in the Annual Governance Statement as a significant governance issue but progress was being made at the time of the audit with a Memorandum of Understanding due to be taken back to the Executive Committee. Appendix 2 to the report detailed the 30 audit recommendations that had been followed-up during the period and it was noted that the majority had been implemented or partially implemented. Members were informed that all audit recommendations were followed-up by internal audit and feasible timescales were agreed with management for implementation; if these were not met, they were reviewed and brought back to the Committee and the relevant manager could be called in if Members were unsatisfied with progress.

- 15.3 A Member sought clarification as to whether the work done in relation to CIL was about the effectiveness of CIL arrangements or compliance and the Director: Corporate Resources explained that the audit had found that what was in the system in terms of the CIL collected was accurate, the issue was around establishing a governance programme for how money was allocated and spent. A Member noted that almost £3m CIL had been collected in the reported period but expenditure for the same period was £157,959 with the majority spent on administration so he raised concern regarding the amount which had actually been distributed. In response, the CIL Manager explained that CIL receipts were split into three pots: administration, which could be up to 5%; neighbourhood CIL which was essentially the money collected for the Parish Councils – if the area had an adopted Neighbourhood Development Plan (NDP) it would receive 25% dropping to 15% where no NDP was in place; and the third pot was the remainder which was the pot the audit was raising concerns about. He clarified that, up to 10 July 2023, Tewkesbury Borough Council had distributed £1,347,000 to two neighbouring Parish Councils and expenditure for that had been £157,959. There was an expectation that the Parish Council would report what had been spent at the end of the monitoring year (1 April-31 March). In terms of the third pot, which could be 70-80% depending on the Parish Council element, the aspiration had been for the three Joint Core Strategy authorities to pool the infrastructure fund with more narrow rules for how it could be spent. Tewkesbury Borough Council's CIL income was far greater than either of the other authorities - on 10 July 2023, Cheltenham Borough Council had almost £2.5m, Gloucester City Council had almost £1m whereas Tewkesbury Borough Council had £7.5m. The process for agreeing how much each authority should contribute was critical and the latest update he could give was that the Director of Cheltenham Borough Council, who was leading the work, was being assisted by One Legal to establish Terms of Reference for a Working Group. The Member expressed the view that there seemed to be a lot of reputational risk around CIL and he asked whether that was being managed in an appropriate way. There were complexities as it was not the Council's money and he questioned who was checking the Parish Councils were spending the money. He raised concern that there was a lack of efficiency in the process as it appeared nobody knew what to spend the money on. The CIL Manager advised that training had been carried out with Parish Councils on at least two occasions, with support from the Council's Communities team and Gloucestershire Rural Community Council (GRCC), where Officers had assisted with how to identify schemes, particularly for Parish Councils without an NDP – those with NDPs tended to have a plan and places like Gotherington knew exactly what they wanted to spend CIL on next. The CIL regulations provided the Council a monitoring and enforcement role and there was a requirement to distribute the money in the way he had explained with legislation setting out that must be done twice a year in April and October, the Parish Councils then had five years within which to spend each payment received. The Council had the job of policing that which was why, in addition to asking for reports and helping Parish Councils to prepare their own reports - Parish Funding Statements which had to be published once a year on the website – the Council identified exactly when

funding would be received and how long it would take. Unlike Section 106 contributions which were for a specific purpose, there was no time period for CIL following which the money would be returned to the developer – if any money came back from the Parish Council it went back into the pot. The detail the district authorities and Parish Councils were required to provide were more detailed than many other financial reports and the legislation was prescriptive about what CIL could be spent on. The Council provided advice in relation to that, and was able to obtain legal advice on behalf of Parish Councils as well.

15.4 A Member noted that the CIL training for Members had been postponed from July and the CIL Manager provided assurance that Members would be kept informed of what was happening and could find out whether CIL had contributed to any development in their Wards. He pointed out that the CIL did not have to be spent in the area it was raised, nor did it have to be spent within Tewkesbury Borough as cross-boundary projects were provided for in the regulations. Another Member indicated that she had recently read that developers did not want to pay CIL anymore as it was seen as a tax they had to pay upfront which they did not get back if it was not spent so she asked whether CIL was likely to continue. The CIL Manager indicated that the future of CIL was almost assured - the government had consulted on a new national infrastructure levy earlier this year which was essentially CIL, albeit with the intention that it would be set at a national level based on the value of the sales of a development as opposed to being calculated on gross internal floor area of a development as it was currently. The issue with getting rid of CIL would be that money for building infrastructure to accommodate and facilitate development would need to be found upfront.

15.5 It was

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

#### **A&G.16 INTERNAL AUDIT ANNUAL REPORT 2022/23**

16.1 Attention was drawn to the report of the Chief Audit Executive (Head of Corporate Services), circulated at Pages No. 176-181, in relation to internal audit 2022/23. Members were asked to consider the internal audit annual opinion and assurance from the work undertaken during the year that, overall, the Council's governance, risk management and control environment for 2021/22 for the areas audited was generally effective.

16.2 The Director: Corporate Resources explained that the Chief Audit Executive must deliver an annual internal audit opinion and report on the Council's risk environment that could be used to inform the Annual Governance Statement which would be brought to the Committee in September. It was positive that the Internal Audit team was up and running having been redeployed for the last two years as set out at Page No. 178, Paragraph 1.6 of the report. Work undertaken during the year was summarised at Paragraph 2.0 of the report and it was noted that the team had also undertaken a variety of corporate improvement work initiatives, follow-up audits and been represented on key corporate groups such as the Corporate Governance Group and Keep Safe Stay Healthy Group. Page No. 179, Paragraph 3.0 of the report outlined the team structure and that it had remained organisationally independent. The internal audit plan was delivered by two full-time equivalents which was deemed to be an appropriate level of resource. As Chief Audit Executive, he reported directly to the Chief Executive so had free and unfettered access when required and, during the year he also had access to the Chair of the Audit and Governance Committee and the relevant Lead Member. In terms of his independence, it was not uncommon within a small district authority for the internal audit strategic lead to also have operational responsibility for service areas and, during 2022/23, he held a wide managerial remit including ICT, Customer Services, Human Resources and Communications. It was noted that

PSIAS required the purpose, authority and responsibility for the internal audit activity to be formally defined in an Internal Audit Charter which was reviewed every three years with the last review in November 2022.

- 16.3 Looking forward, a new post of Head of Service: Audit and Governance had been created as part of the recent management restructure which provided additional resource to ensure the internal audit plan was delivered and, as set out in the report, the Head of Service had overseen the Quality Assurance and Improvement Programme which included a service programme for 2023/24. In terms of the opinion on the overall adequacy of the control environment, as set out at Page No. 180, Paragraph 6.1 of the report, 59 separate audit opinions were issued during the year and the bulk were either 'substantial' or 'reasonable' with only four limited reports and zero 'no assurance' opinions. On that basis, it was considered that the work of internal audit complied with the PSIAS and assurance could be given to all relevant parties that the work of internal audit could be relied upon. Due to the complexities of the Council's control environment there would always be areas identified by internal audit that needed improvement but the opinions issued during the year demonstrated that, overall, the Council's governance, risk management and control environment was generally sound. Where areas of concern had been identified, there had been a positive management response and all recommendations were subject to follow-up by internal audit. This opinion would be reflected in the Annual Governance Statement.

- 16.5 It was

**RESOLVED** That the internal audit annual report 2022/23 be **NOTED**.

The meeting closed at 3:05 pm

## AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

<u><b>Additions to 27 September 2023</b></u> <ul style="list-style-type: none"> <li>•</li> </ul>
<u><b>Deletions from 27 September 2023</b></u> <ul style="list-style-type: none"> <li>• External Auditor's Annual Report</li> </ul>

<b>Committee Date: 22 November 2023</b>			
<b>Agenda Item</b>	<b>Overview of Agenda Item</b>	<b>Lead Officer</b>	<b>Has agenda item previously been deferred? Details and date of deferment required</b>
<b>External Auditor's Annual Report</b>	<b>To consider the external auditor's annual report.</b>	<b>External Auditors / Associate Director: Finance</b>	<b>Yes – July and September 2023.</b>
External Auditor's Progress Report	To consider the external auditors' report on progress against planned outputs.	External Auditors / Associate Director: Finance	No.
Internal Audit Plan Monitoring Report	To consider the Internal Audit work undertaken and the assurance given on the adequacy of internal controls operating in the systems audited.	Head of Service: Audit and Governance	No.
Monitoring of Significant Governance Issues	To consider the monitoring report on the Significant Governance Issues identified in the Annual Governance Statement and to review progress against the actions.	Director: Corporate Resources	No.
Counter Fraud and Enforcement Unit Update	To consider the six monthly update from the Counter Fraud and Enforcement Unit.	Counter Fraud and Enforcement Unit Manager.	No.
Corporate Risk Register	To consider the risks contained within the Corporate Risk Register and assurance that the risks are being effectively managed.	Director: Corporate Resources	No.

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Agenda Item 5

NB – Changes from previous work programme highlighted in bold

<b>Committee Date: 22 November 2023</b>			
<b>Agenda Item</b>	<b>Overview of Agenda Item</b>	<b>Lead Officer</b>	<b>Has agenda item previously been deferred? Details and date of deferment required</b>
Annual Update on Council's Safeguarding Arrangements	To consider the annual report to give assurance as to the level of the Council's compliance with its safeguarding duty.  (To include Gloucestershire Safeguarding Children Board Section 11 Self-Assessment)	Director: Communities	No.

<b>Committee Date: 27 March 2024</b>			
<b>Agenda Item</b>	<b>Overview of Agenda Item</b>	<b>Lead Officer</b>	<b>Has agenda item previously been deferred? Details and date of deferment required</b>
External Auditor's Progress Report	To consider the external auditors' report on progress against planned outputs.	External Auditors/ Associate Director: Finance	No.
Audit Fee 2023/24	To consider the audit scale fee for 2022/23.	Executive Director: Resources and S151	No.
Statement of Accounting Policies	To approve the accounting policies to be used during the preparation of the 2023/24 financial statements.	Associate Director: Finance	No.
Internal Audit Plan Monitoring Report	To consider the Internal Audit work undertaken and the assurance given on the adequacy of internal controls operating in the systems audited.	Head of Service: Audit and Governance	No.
Internal Audit Six Month Plan 2023/24	To approve the Internal Audit Six Month Plan 2023/24 (Apr-Sept).	Head of Service: Audit and Governance	No.
Monitoring of Significant Governance Issues	To consider the monitoring report on the Significant Governance Issues identified in the Annual Governance Statement and to review progress against the actions.	Director: Corporate Resources	No.
Corporate Risk Register	To consider the risks contained within the Corporate Risk Register and assurance that the risks are being effectively managed.	Director: Corporate Resources	No.

**Committee Date: 27 March 2024**

<b>Agenda Item</b>	<b>Overview of Agenda Item</b>	<b>Lead Officer</b>	<b>Has agenda item previously been deferred? Details and date of deferment required</b>
CIPFA Financial Management Code – Assessment of Compliance	To consider progress made against the actions within the Assessment of Compliance (annual report).	Associate Director: Finance	No.



<b>Committee Date: July 2024</b>			
<b>Agenda Item</b>	<b>Overview of Agenda Item</b>	<b>Lead Officer</b>	<b>Has agenda item previously been deferred? Details and date of deferment required</b>
External Auditor's Audit Plan 2023/24	To consider the external auditor's Audit Plan 2023/24.	External Auditors / Associate Director: Finance	No.
External Auditor's Annual Report	To consider the external auditor's annual report.	External Auditors / Associate Director: Finance	No.
Annual Report on Health and Safety Activities	To consider the adequacy of the Council's health and safety arrangements.	Director: Communities	No.
Counter Fraud and Enforcement Unit Report	To consider the annual update on the work of the Counter Fraud and Enforcement Unit team.	Counter Fraud and Enforcement Unit Manager.	No.
Internal Audit Plan Monitoring Report	To consider the Internal Audit work undertaken and the assurance given on the adequacy of internal controls operating in the systems audited.	Head of Service: Audit and Governance	No.
Internal Audit Annual Report 2023/24	To consider the Internal Audit Annual Report 2023/24 and the assurance from the work undertaken during the year on the level of internal control within the systems audited during the year.	Director: Corporate Resources	No.
Corporate Risk Register	To consider the risk register and the risks contained within it.	Director: Corporate Resources	No.

**Committee Date: July 2024**

<b>Agenda Item</b>	<b>Overview of Agenda Item</b>	<b>Lead Officer</b>	<b>Has agenda item previously been deferred? Details and date of deferment required</b>
Audit and Governance Committee Annual Report 2023/24	To approve the Audit and Governance Committee Annual Report 2023/24.	Director: Corporate Resources	No.
Monitoring of Significant Governance Issues	To consider the monitoring report on the Significant Governance Issues identified in the Annual Governance Statement and to review progress against the actions.	Director: Corporate Resources	No.
Annual Report on the Council's Arrangements for General Data Protection Regulation (GDPR)	To receive the annual report on the adequacy of the Council's GDPR arrangements.	Head of Service: Audit and Governance	No.

<b>Committee Date: 27 September 2023</b>			
<b>Agenda Item</b>	<b>Overview of Agenda Item</b>	<b>Lead Officer</b>	<b>Has agenda item previously been deferred? Details and date of deferment required</b>
External Auditor's Findings	To consider the external auditor's findings 2024/24.	Associate Director: Finance	No.
Internal Audit Six Month Plan 2024/25	To approve the Internal Audit Six Month Plan 2024/25 (Oct-Mar).	Head of Service: Audit and Governance	No.
Corporate Risk Register	To consider the risks contained within the Corporate Risk Register and assurance that the risks are being effectively managed.	Director: Corporate Resources	No.
Letter of Representation	To consider the S151 Officer's Letter of Representation on the closure of the accounts for the year ended 31 March 2023.	Executive Director: Resources and S151	No.
Statement of Accounts 2023/24	To approve the Statement of Accounts 2023/24.	Associate Director: Finance	No.
Annual Governance Statement 2022/23	To approve the Annual Governance Statement 2022/23.	Director: Corporate Resources	No.

<b>OTHER ITEMS</b>			
<b>Agenda Item</b>	<b>Overview of Agenda Item</b>	<b>Lead Officer</b>	<b>Comments</b>
Internal Audit Charter	To approve the Internal Audit Charter.	Director: Corporate Resources	To be presented to the Committee at least every three years – last taken on 23 November 2022.

# The Audit Findings for Tewkesbury Borough Council

Year ended 31 March 2023

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# Contents



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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 and will be presented to the Audit and Governance Committee on 27 September 2023.

Name: Julie Masci  
For Grant Thornton UK LLP  
Date: 13 September 2023

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.

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# 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 2023 for the attention of those charged with governance.

## 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 July-September. Our findings are summarised on pages 6 to 20. We have not identified any adjustments to the financial statements that have resulted in an adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix E. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix C. Our follow up of recommendations from the prior year's audit are detailed in Appendix D.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (included as a separate agenda item) or material changes to the financial statements, subject to the following outstanding matters;

- completion of work outstanding on our testing of the expenditure and Funding Analysis, depreciation of PPE assets, valuations of PPE and investment property assets, investments, creditors, provisions, housing benefit expenditure, capital disclosures, and financial instruments;
- completion of final review and quality checks by the engagement manager and engagement partner;
- receipt of assurances from our pension fund auditor and completion of any follow-up work arising from this;
- receipt of management representation letter (see separate committee item); 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 financial statements audit report opinion will be unmodified. Our work on the Council's value for money (VFM) arrangements is not yet complete. The outcome of our VFM work will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR). We are satisfied this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

# 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 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 December 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.

Our risk assessment regarding your arrangements to secure value for money has yet to be completed, as our work on the Auditor's Annual Report (AAR) for 2021-22 is still ongoing. We intend to produce a combined report covering the 2021-22 and 2022-23 financial years, which will incorporate our identified risks of significant weakness in 2021-22 as well as a refreshed risk assessment for 2022-23.

## 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 Auditor's Annual report in December 2023.
- the Whole of Government Accounts (WGA) procedures set by the National Audit Office. At the time of writing, the WGA guidance for 2022/23 had not been issued.

## Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

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# 1. Headlines

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## National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](#)

We would like to thank everyone at the Council for their support in working with us constructively, allowing us to complete our work in a timely manner and issue our audit opinion before the 30 September deadline.

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## National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. The position at Tewkesbury is positive, with sustainable levels of borrowing with manageable associated costs. The Council's investment property portfolio is not excessive and is properly managed, with all current units let on long-term leases.

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# 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 and will be presented to the Audit and Governance Committee on 27 September 2023.

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 Combined Authority'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 19 July 2023, except to re-assess our materiality level as detailed on page 7.

## 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 27 September 2023, as detailed in the separate agenda item. These outstanding items are documented 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.

# 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.

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We have revised the materiality for the financial statements due to the actual gross expenditure changing significantly from that anticipated at the planning stage resulting in a review of the appropriateness of the materiality figure.

We set out in this table our determination of materiality for Tewkesbury Borough Council.

### Council Amount (£) Qualitative factors considered

Materiality for the financial statements	£950,000	Financial statement materiality was determined based on a proportion of the gross expenditure of the Council for the financial year, excluding those costs relating to the Ashchurch Bridge impairment which are a one-off expense.
Performance materiality	£712,000	Set at 75% of materiality.
Trivial matters	£47,000	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	<p>We have:</p> <ul style="list-style-type: none"> <li>• evaluated the design and implementation of management controls over journals</li> <li>• analysed the journals listing and determined the criteria for selecting high risk unusual journals</li> <li>• identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration</li> <li>• gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness</li> </ul> <p>There were no significant changes to accounting policies in the year. Our work has not identified any issues in relation to management override of controls.</p>
ISA240 revenue recognition risk (rebutted)	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of local authorities, including the Authority, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>We therefore do not consider this to be a significant risk for Tewkesbury Borough Council.</p>
Risk of fraud related to expenditure recognition PAF Practice Note 10 (rebutted)	<p>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)</p> <p>We have rebutted this presumed risk for the Authority because:</p> <ul style="list-style-type: none"> <li>• expenditure is well controlled and the Authority has a strong control environment;</li> <li>• there is very little incentive for management to mis-represent expenditure; and</li> <li>• the Authority has clear and transparent reporting of its financial plans and financial position to those charged with governance.</li> </ul> <p>We therefore do not consider this to be a significant risk for the Authority. However, our testing has covered the legitimacy of year end creditors and accruals.</p>

## 2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
<p><b>Valuation of land and buildings assets (including investment property)</b></p> <p>The Authority revalues its land and buildings and investment property assets on an annual basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets and investment properties) 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.</p> <p>Management have engaged the services of a valuer to estimate the current value as at 31 March 2023.</p> <p><b>N</b> We have therefore identified the valuation of the closing <b>O</b> balances of land and buildings and investment property as a significant risk.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>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</li> <li>evaluated the competence, capabilities and objectivity of the valuation expert</li> <li>written to the valuer to confirm the basis on which the valuations were carried out</li> <li>challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li> <li>tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register</li> <li>evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.</li> </ul> <p>Our work in this area is not yet complete and so we are unable to conclude on this risk. Our work to date has not identified any issues in relation to valuations of land and buildings or investment property assets.</p>

## 2. Financial Statements: Significant risks

### Risks identified in our Audit Plan

#### Valuation of pension fund net liability

The Authority'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 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 rate. 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. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.

### Commentary

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated 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 Authority's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Authority 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 performed 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

We have not yet received the assurances from the auditor of Gloucestershire Pension Fund, and so are unable to complete our work in this area. Our work to date has not identified any issues with the valuation of the pension fund net liability.

## 2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £25.6m	<p>Other land and buildings comprises £14.4m 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 (£11.2m) 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 2023 on an annual basis. All assets were revalued in 2022/23.</p> <p>The total year end valuation of land and buildings was £25.643m, a net increase of £0.640m from 2021/22 (£24.003m).</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>Assessed the competence and expertise of management's expert;</li> <li>Reviewed the completeness and accuracy of the underlying information used to determine the estimate;</li> <li>Reviewed the assumptions used by the expert, including the floor areas, yields, and build rates;</li> <li>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;</li> <li>Considered the adequacy of disclosure of the estimate in the financial statements.</li> </ul> <p>We have not identified any material issues with the estimate from our testing to date.</p>	Light Purple (TBC)

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### 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
Investment Property Valuation - £59.938m	<p>Investment properties comprise £59.938m 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.</p> <p>The Council has engaged Wilks Head and Eve to complete the valuation of properties as at 31 March 2023. All assets were revalued in year as required by the Code of Practice.</p> <p>The total year end valuation of investment property was £59.938m, a net decrease of £1.615m from 2020/21 (£61.553m).</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>Assessed the competence and expertise of management's expert;</li> <li>Reviewed the completeness and accuracy of the underlying information used to determine the estimate;</li> <li>Reviewed the assumptions used by the expert, including the yields;</li> <li>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;</li> <li>Considered the adequacy of disclosure of the estimate in the financial statements.</li> </ul> <p>There are no significant issues arising from our work in respect of the investment property valuation estimate to date.</p>	Light Purple (TBC)

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### 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																				
<b>Net pension liability – £28.035m</b>	<p>The Council's net pension liability at 31 March 2023 is £28.035m (PY £36.974m) comprising the Gloucestershire Pension Fund defined benefit pension scheme obligations.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>Assessed management's expert</li> <li>Assessed the actuary's approach taken and deemed it reasonable</li> <li>Used PwC as auditor's expert to assess actuary and assumptions made by actuary (see table below)</li> <li>Confirmed the completeness and accuracy of the underlying information used to determine the estimate</li> <li>Confirmed the reasonableness of the Authority's share of LPS pension assets.</li> <li>Confirmed the reasonableness of the decrease in the liability estimate</li> <li>Confirmed the adequacy of the disclosure of the estimate in the financial statements</li> </ul> <p>Our audit work to date has not identified any issues in respect of the valuation of the pension fund net liability. Our work in this area is still in progress, subject to receipt of the assurance from the Pension Fund auditor.</p>	Light Purple (TBC)																				
				<table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>4.75%</td> <td>2.75% - 5%</td> <td>Light Purple</td> </tr> <tr> <td>Pension increase rate</td> <td>2.95%</td> <td>2.19% - 3.00%</td> <td>Light Purple</td> </tr> <tr> <td>Salary growth</td> <td>3.45%</td> <td>3.45% - 5.50%</td> <td>Light Purple</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>22.8 / 21.9</td> <td rowspan="2">No range given – Actuary confirms Club Vita model used by actuary considered to be a reasonable and robust approach</td> <td>Light Purple</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>26.2 / 24.5</td> <td>Light Purple</td> </tr> </tbody> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	4.75%	2.75% - 5%	Light Purple	Pension increase rate	2.95%	2.19% - 3.00%	Light Purple	Salary growth	3.45%	3.45% - 5.50%	Light Purple	Life expectancy – Males currently aged 45 / 65	22.8 / 21.9	No range given – Actuary confirms Club Vita model used by actuary considered to be a reasonable and robust approach
Assumption	Actuary Value	PwC range	Assessment																				
Discount rate	4.75%	2.75% - 5%	Light Purple																				
Pension increase rate	2.95%	2.19% - 3.00%	Light Purple																				
Salary growth	3.45%	3.45% - 5.50%	Light Purple																				
Life expectancy – Males currently aged 45 / 65	22.8 / 21.9	No range given – Actuary confirms Club Vita model used by actuary considered to be a reasonable and robust approach	Light Purple																				
Life expectancy – Females currently aged 45 / 65	26.2 / 24.5		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
Provisions for NNDR appeals - £4.256m	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 £0.548m in 2022/23.	<p>We have:</p> <ul style="list-style-type: none"> <li>assessed the appropriateness of the underlying information used to determine the estimate;</li> <li>We have reviewed the impact of any changes to valuation method;</li> <li>Reviewed the reasonableness of increase in estimate; and</li> <li>Confirmed the adequacy of disclosure of the estimate in the financial statements.</li> <li>Reviewed the statistics used in the underlying 2010 list calculations, to confirm they are appropriate and up-to-date.</li> </ul> <p>We have not yet completed our testing of the provision and so we cannot conclude on its appropriateness.</p>	Light Purple (TBC)

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### 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

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Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £0.927m	<p>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.</p> <p>The year end MRP charge was £927k, a net increase of £45k from 2021/22.</p>	<p>We have reviewed the estimate by:</p> <ul style="list-style-type: none"> <li>assessing whether the MRP has been calculated in line with the statutory guidance;</li> <li>assessing whether the Council's policy on MRP complies with statutory guidance;</li> <li>reviewing the reasonableness of the increase in the MRP charge</li> </ul> <p>We have not yet completed our work on MRP and therefore cannot conclude on this estimate.</p> <p>Government consulted (February 2022) 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. A subsequent survey indicated amended proposals to provide additional flexibilities for certain capital loans. Government has not yet issued a full response to the consultation.</p> <p>The Council's MRP calculation has not included any such use of capital receipts.</p>	Light Purple (TBC)

### 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: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
32 Civica	ITGC assessment (design and implementation effectiveness only)					Management override of controls Valuation of PPE and investment property assets Valuation of pension liability
Northgate	ITGC assessment (design, implementation and operating effectiveness)					Housing benefit expenditure Council tax and business rates revenues
iChris	ITGC assessment (design and implementation effectiveness only)					Employee benefit expenditure

### Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

## 2. Financial Statements: matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	Auditor view and management response
<p>We have discussed the Council's withdrawal from the Homes England Housing Infrastructure Fund Marginal Viability Fund (HIF MVF) programme, which was utilised to finance the delivery of the Ashchurch Bridge over Rail project. The Council proactively approached us to discuss the withdrawal and its possible impact.</p>	<p>The formal notification was received on Monday 15 May 2023, which is after the balance sheet date (31 March 2023). However, it confirmed conditions which were applicable at the balance sheet date, specifically that the value of assets constructed under the scheme was now nil and therefore they should be impaired. The valuation of these assets at 31 March 2023 was £1,875k. Management included a disclosure of an event after the reporting date in relation to this</p>	<p>We recommended that management include an adjusting post-balance sheet event (PBSE) for the assets in question. We performed detailed testing of PPE additions linked to the project to ensure that these were capitalised appropriately, and tested the impairment of the full asset value at the year end.</p> <p><b>Management response</b></p> <p>Following the discussion with Grant Thornton we included an adjusting post-balance sheet event in our financial statements for the impairment of the Ashchurch bridge along with a detailed explanation of the events surrounding this in note 9.</p>

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## 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.

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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 as a separate item in the committee papers.
Audit evidence and explanations	All information and explanations requested from management was provided.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Authority's bankers, lenders, and borrowers. This permission was granted, and the requests were sent. All of these requests were returned with positive confirmation, with one exception which we continue to chase. If the confirmation is not received, we will undertake alternative procedures to evidence this balance.
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.

## 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).

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Issue	Commentary
Going concern	<p>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.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>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</li> <li>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.</li> </ul> <p>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:</p> <ul style="list-style-type: none"> <li>the nature of the Council and the environment in which it operates</li> <li>the Council's financial reporting framework</li> <li>the Council's system of internal control for identifying events or conditions relevant to going concern</li> <li>management's going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified</li> <li>management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

## 2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>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.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.</p>
<b>Matters on which we report by exception</b> 36	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• 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,</li> <li>• if we have applied any of our statutory powers or duties.</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.</li> </ul> <p>We have nothing to report on these matters.</p>
<b>Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA Council audit instructions.</p> <p>No additional work is required as the Authority does not exceed the threshold set by the NAO. However, the NAO have not yet issued the instructions to auditors and so we are unable to complete our work in this area.</p>
<b>Certification of the closure of the audit</b>	<p>We intend to delay the certification of the closure of the 2022/23 audit of Tewkesbury Borough Council in the audit report, due to the fact that our work on the Authority's Value for Money assessment has yet to be completed, and the WGA submission as noted above.</p>



# 3. Value for Money arrangements (VFM)

## Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code requires 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 Appendix G to this report. We expect to issue our Auditor's Annual Report by December 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.

Our risk assessment regarding your arrangements to secure value for money has yet to be completed, as our work on the Auditor's Annual Report (AAR) for 2021-22 is still ongoing. We intend to produce a combined report covering the 2021-22 and 2022-23 financial years, which will incorporate our identified risks of significant weakness in 2021-22 as well as a refreshed risk assessment for 2022-23.

# 4. Independence and ethics

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

In this context, we disclose that:

Julie Masci, the Key Audit Partner, is currently serving their 7th year on the engagement. 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 public interest entity, however in accordance with PSAA's terms of appointment, we have sought and obtained approval from PSAA for this extension.

As this is the last year of our engagement with the Council, there is no planned rotation. We have mitigated the familiarity threat by appointing a safeguarding partner, who will be responsible reviewing the key judgements of the Key Audit Partner, to ensure that these are not influenced by the familiarity.

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

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

## Other services

The following other services provided by Grant Thornton were identified. The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of housing benefit grant	42,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £42,000 in comparison to the total fee for the audit of £62,815, 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.

# 5. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council or investments in the Council held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council as a director or in a senior management role covering financial, accounting or control related areas.
4 Business relationships	We have not identified any business relationships between Grant Thornton and the Council
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council's board, senior management or staff.

We have considered whether the ethical outcomes required by the overarching principles and supporting ethical provisions of the FRC Ethical Standard have been met by both the relevant requirements and with reference to the perspective of an objective, reasonable and informed third party. This assessment has also considered the matters reported above individually and in aggregate, as detailed on page 23.

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

# Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. Audit letter in respect of delayed VFM work

# A. Communication of audit matters to those charged with governance

<b>Our communication plan</b>	<b>Audit Plan</b>	<b>Audit Findings</b>
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

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

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

## **Respective responsibilities**

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.

## **Distribution of this Audit Findings report**

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

## B. 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. 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	We identified a number of items which had been accrued as both receipts in advance and debtors. These arose where the Council had raised a sales invoice for income due in 2023/24 for which cash had not yet been received. Officers were correctly ensuring that income was not recognised in the wrong year, but the same item cannot be both a debtor and a receipt in advance as these states are mutually exclusive. As noted on page 30, these have a nil net impact on the financial statements but overstate the gross balances on short-term debtors and short-term creditors respectively.	<p>Management should update their year-end processes to identify any debtors which relate to the following financial period and reverse them out so that gross balances are not overstated.</p> <p><b>Management response</b></p> <p>We will amend our year end processes in the future to ensure any receipts in advance that are picked up are paid in full and are not included in our outstanding debtors list.</p>

### Controls

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

# C. Follow up of prior year recommendations

We identified the following issues in the audit of Tewkesbury Borough Council's 2021/22 financial statements, which resulted in 2 recommendations being reported in our 2021/22 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

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Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>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.</p> <p>The Council should review its accounts production and quality checking processes to minimise the risk of such errors arising.</p>	No such significant errors have been identified in 2022/23 and we consider this recommendation to be closed.
✓	<p>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.</p> <p>If possible, permissions should be changed so that finance staff are no longer able to manage user access controls.</p>	Management's response in 2021/22 indicated that it was not possible to change these permissions. However, they are comfortable that compensating controls are in place which mitigate any risk relating to this.

## Assessment

- ✓ Action completed
- X Not yet addressed

# D. 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 are no adjusted misstatements impacting the net expenditure for 2022/23.

## 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/issue/Omission	Management responses	Adjusted?
The opening and closing balances of the pension gross asset were misstated in the disclosure note 34. Additionally, 2023/24 contributions were stated to be £2.95m, but the actuary's report states that these are £2.595m.	<b>Management response</b> The note has been updated to correct the identified issues.	✓
A balance of £4,754k had been disclosed as 2022/23 agency grant in note 30. Only £4,602k was agency-related; the £152k difference should have been included in grants credited to services. Two other grants totalling £956k had been excluded from the grants disclosure notes. This was a disclosure error only with no impact on the CIES.	<b>Management response</b> The accounts team realised a couple of omissions had been made on the grant disclosure note whilst assisting the auditors. One disclosure was a last minute change to the accounts and the note was not updated subsequently. The accounts team will review this process as part of a post accounts review. The other omission was due to a miscode on the finance system. Working papers have been updated to prevent this being repeated.	✓
Total comprehensive income (TCIE) in the draft CIES is £27,215k. This was misstated in the Movement in Reserves Statement (MIRS) as £26,250k.	<b>Management response</b> There were some manual errors when transferring data from working papers to the maser version of the financial statements. Unfortunately, the process is non automated and it's extremely and therefore human error is likely. However, the accounts team will try to increase the amount of time they spend on checking the financial statements.	✓



## D. Audit Adjustments (continued)

### Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 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	Impact on general fund £'000	Reason for not adjusting
A number of items had been accrued for as both receipts in advance and debtors. These were all reflective of income due in 2023/24 which does not relate to 2022/23. The effect is to overstate the gross assets and liabilities of the Council with nil net effect. There is no impact on the CIES for these items.	Nil	Nil net impact (gross extrapolated overstatement of short-term debtors and short-term creditors of £332k)	Nil	Nil	The difference is immaterial.
<b>Overall impact</b>	<b>£Nil</b>	<b>£Nil</b>	<b>£Nil</b>	<b>£Nil</b>	

### 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 2021/22 financial statements

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
<b>Overall impact</b>	<b>150</b>	<b>(150)</b>	<b>150</b>	

## E. Fees and non-audit services

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

Audit fees	
Revised 2022-23 scale fee published by PSAA – December 2022	£41,465
Additional work on Value for Money (VfM) under new NAO Code	£9,000
Increased audit requirements of revised ISAs 540 / 240 / 700	£2,100
Enhanced audit procedures on journals testing (not included in the Scale Fee)	£3,000
Additional procedures to address other local risk factors	£3,000
Enhanced audit procedures for Payroll – Change of circumstances	£500
Enhanced audit procedures for Collection Fund- reliefs testing	£750
Increased audit requirements of revised ISAs 315/ 240	£3,000
<b>Total proposed audit fees 2022/23 (excluding VAT)</b>	<b>£62,815</b>

Non-audit fees for other services	Proposed fee	Final fee (TBC)
Audit Related Services – Certification of housing benefit grant	£35,000	£42,000
<b>Total non-audit fees (excluding VAT)</b>	<b>£35,000</b>	<b>£42,000</b>

The fees reconcile to the financial statements. None of the above services were provided on a contingent fee basis. This covers all services provided by us and our network to the Council/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69)).

# F. Auditing developments

## Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

**This impacts audits of financial statement for periods commencing on or after 15 December 2021.**

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> <li>the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures</li> <li>the identification and extent of work effort needed for indirect and direct controls in the system of internal control</li> <li>the controls for which design and implementation needs to be assess and how that impacts sampling</li> <li>the considerations for using automated tools and techniques.</li> </ul>
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> <li>increased emphasis on the exercise of professional judgement and professional scepticism</li> <li>an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence</li> <li>increased guidance on management and auditor bias</li> <li>additional focus on the authenticity of information used as audit evidence</li> <li>a focus on response to inquiries that appear implausible</li> </ul>
Definition of engagement team	The definition of engagement team when applied in a Council audit, will include both the Council auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for Council audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the Council auditor. <ul style="list-style-type: none"> <li>Consideration is also being given to the potential impacts on confidentiality and independence.</li> </ul>
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> <li>clarification of the requirements relating to understanding fraud risk factors</li> <li>additional communications with management or those charged with governance</li> </ul>
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

# G. Audit letter in respect of delayed VFM work

Cllr Murray Stewart  
Chair of Audit and Governance Committee  
Tewkesbury Borough Council  
Public Services Centre  
Gloucester Road  
Tewkesbury  
Gloucestershire  
GL20 5TT

27 September 2023

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Dear Cllr Stewart,

The original expectation under the approach to VFM arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government by 30 September each year at the latest. 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.

We wrote to you on 5 July 2023 to confirm that we expected to publish our Auditor's Annual Report, including our commentary on arrangements to secure value for money, no later than 30 September 2023. Following this letter, we have taken the decision to issue a combined Auditor's Annual Report for the 2021-22 and 2022-23 financial years, so that our work can be more relevant and timely and reflective of the most up to date arrangements at the Council. We now expect to publish our combined report by no later than 31 December 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



## TEWKESBURY BOROUGH COUNCIL

<b>Report to:</b>	Audit and Governance Committee
<b>Date of Meeting:</b>	27 September 2023
<b>Subject:</b>	Letter of Representation 2022/23
<b>Report of:</b>	Executive Director: Resources
<b>Head of Service/Director:</b>	Executive Director: Resources
<b>Lead Member:</b>	Finance & Asset Management
<b>Number of Appendices:</b>	1

**Executive Summary:**

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

**Recommendation:**

**To APPROVE the Letter of Representation 2022/23.**

**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.

**2.0 DRAFT LETTER OF REPRESENTATION 2022/23**

2.1 A copy of the draft Letter of Representation for 2022/23 is attached at Appendix A. On receipt of the Letter of Representation, the Council's external auditor may formally issue an opinion on the financial statements.

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

**3.0 CONSULTATION**

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

**4.0 ASSOCIATED RISKS**

4.1 None

**5.0 MONITORING**

5.1 None

**6.0 RELEVANT COUNCIL PLAN PRIORITIES/COUNCIL POLICIES/STRATEGIES**

6.1 None

---

**Background Papers:** None

**Contact Officer:** Executive Director: Resources  
[Simon.dix@tewkesbury.gov.uk](mailto:Simon.dix@tewkesbury.gov.uk)

**Appendices:** Appendix A – Letter of Representation 2022-23

**Resources**  
Simon Dix  
Executive Director: Resources



**Grant Thornton UK LLP**  
2 Glass Wharf  
Bristol  
BS2 0EL

27 September 2023

Dear Sirs

**Tewkesbury Borough Council**  
**Financial Statements for the year ended 31 March 2023**

This representation letter is provided in connection with the audit of the financial statements of Tewkesbury Borough Council for the year ended 31 March 2023 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 2022/23 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 2022/23 ("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 entity 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 27 September 2023.

Yours faithfully

Name.....

Position.....

Date.....

**Signed on behalf of Tewkesbury Borough Council**

## TEWKESBURY BOROUGH COUNCIL

<b>Report to:</b>	Audit and Governance Committee
<b>Date of Meeting:</b>	27 September 2023
<b>Subject:</b>	Statement of Accounts 2022/23
<b>Report of:</b>	Associate Director: Finance
<b>Head of Service/Director:</b>	Executive Director: Resources
<b>Lead Member:</b>	Lead Member for Finance and Asset Management
<b>Number of Appendices:</b>	1

**Executive Summary:**

The Statement of Accounts for 2022/23 shows the financial position of the Council as at 31 March 2023 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:**

**To APPROVE the 2022/2023 Statement of Accounts and to delegate authority to the Executive Director: Resources, in consultation with the Chair of the Audit and Governance Committee, to make any necessary amendments upon receipt of advice from the external auditor on any outstanding issues.**

**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 2022 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 31 July 2023 to 30 September 2023 (although this is two months earlier than the previous year).

The extension for the Council to prepare the accounts was removed and we had to publish the draft accounts by 31 May 2023 this year.

**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 2022/23, there is no direct impact on the customer.

**1.0 INTRODUCTION**

- 1.1 The Finance team met the earlier deadline of 31 May 2023 despite competing priorities and already stretched resources within the team. Grant Thornton started their audit at the beginning of July and have been with us for 13 weeks at the time of writing the report.
- 1.2 The majority of the audit work has been completed with no material adjustments to the primary statements at the time of writing this report. A verbal update will be given at the Committee regarding 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 approve them for publication, subject to any required amendments as advised by the external auditor which will be dealt with by delegation to the Executive Director: Resources, in consultation with the Chair of the Audit and Governance Committee. The auditor's work is still ongoing at the time of the report.

**2.0 THE STATEMENT OF ACCOUNTS**

- 2.1 With a shorter timescale in which to prepare the accounts, it was necessary to streamline work and focus efforts on key risk areas. This was challenging for such a small team and, with more requirements being added to the accounts every year, we will continue to identify efficiencies in the way we produce the statements.
- 2.2 Whilst COVID-19 had a lesser effect on the accounts this year, the cost of living crisis resulted in grant schemes for rising energy costs and other inflationary pressures on expenditure for the Council.
- 2.3 The following paragraphs explain what the financial statements are showing us and how it relates to our own internal budget monitoring.

**Comprehensive Income and Expenditure Account**

- 2.4 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 Financial Outturn Report which was reported to the Executive Committee on 12 July 2023. The relationship between the outturn position and the statements in the accounts is shown in the table below:

	£,000	Source
<b>Outturn against budget per Exec report</b>	(1,007)	Executive Committee report 12 July 2023
Earmarked Reserve expenditure recoded to services	1,952	
Planning Obligation income and expenditure recoded to services as per	(1,669)	
Capital funded by revenue not included within Outturn	846	
Other transfers from reserves not in budget e.g. Mayor's Charity	5	
<b>Expenditure and Funding Analysis Statement - (Surplus)/Deficit on Provision of Services</b>	127	Expenditure and Funding Statement on page 26 of Statement of Accounts
Capital included within CIES and not outturn	(2,399)	
Cash payments for pensions in budget but in CIES it is replaced by IAS19 accounting regulations	1,477	
Timing difference between what is chargeable for NDR and council tax under statute and what is recognised under accounting principles.	(1,070)	
Fair value gains (losses) on assets recognised in CIES	2,893	
<b>Comprehensive Income and Expenditure Statement - (Surplus)/Deficit on Provision of Services</b>	1,028	Comprehensive Income and Expenditure Statement on page 4 of Statement of Accounts

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

## **Balance Sheet**

- 2.5** The total net worth of the Council, the aggregate value of all of the assets and liabilities in the balance sheet, has increased from £43m to £70m. The change in net worth is summarised in the Movement in Reserves Statement which is on Page No. 5 and there are a number of movements (mainly on unusable reserves) which contribute to this, including:
- an increase in the Collection Fund Adjustment Account of £1m which is mainly due having a collection fund deficit in 2021/22 and a surplus in 2022/23
  - the pension deficit has decreased by nearly £26m mainly due to an increase in the discount rate used (a higher discount rate results in a lower net present value of the pension obligation).

## **Collection Fund Balances**

- 2.6** This is a statutory statement which all billing authorities are required to produce in relation to the collection from taxpayers of Council tax and non-domestic rates (NDR). The balance on the Collection Fund for Council Tax at the year-end was a surplus of £1,600k. Any balance on the Council Tax Fund will be redistributed amongst the precepting bodies of Gloucestershire County Council, Gloucestershire Police and Tewkesbury Borough Council, based on a proportion of the total precept demand from each body. Based on an estimate of the outturn position in January 2023 we have distributed £1,536k. The balance of £64k will be distributed in the 2023/24 estimate of outturn in January 2024. The balance on the Collection Fund for business rates at the year-end was a surplus of £623k (£1.88m deficit in 2021-22) which is split between Tewkesbury Borough Council, Gloucestershire County Council and central government. Our share of this surplus is £249k.

## **Capital Resources**

- 2.7** The total balance of capital resources (excluding Community Infrastructure Levy receipts) as at 31 March 2023 is £2.1m including capital grants. Expenditure on capital projects was £2.774m in 2022/23 and included £649k on the solar canopy, £122k on IT equipment, £904k on the Ashchurch Bridge project and £749k on Disabled Facilities Grants.

## **3.0 CONSULTATION**

- 3.1** The accounts and supporting documents were available for inspection by any person interested between 1 June 2023 and 12 July 2023; however, no one exercised these rights.

Between 1 June 2023 and 12 July 2023, 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:** Financial Outturn Report – Executive 12 July 2023

**Contact Officer:** Associate Director: Finance  
01684 272006      emma.harley@tewkesbury.gov.uk

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





**UNAUDITED**

**Financial Statements  
for the year ended  
31 March 2023**

**Executive Director: Resources**  
Simon Dix

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## STATEMENT OF RESPONSIBILITIES

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

The Council is required to:

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

### ***The Executive Director: Resources' Responsibilities***

The Executive Director: Resources 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 Executive Director: Resources 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 Executive Director: Resources 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 4 to 92 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 2023.

**S J Dix**

**Executive Director of Resources**

**Date: 27/09/2023**

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

**Councillor Dove**

**Date: 27/09/2023**



## MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Movement in reserves during 2022/2023</b>							
Balance at 1 April 2022 brought forward	1,000	28,548	1,311	7,601	38,459	4,758	43,217
Total Comprehensive Income & Expenditure	-1,028	0	0	0	-1,028	28,243	27,215
Adjustments between accounting basis & funding basis under regulations (Note 11)	901	0	266	2,298	3,465	-3,465	0
Increase/Decrease (movement) in Year	-127	0	266	2,298	2,437	24,778	27,215
Transfers to/from Earmarked Reserves (Note 12)	127	-127	0	0	0	0	0
Balance at 31 March 2023 carried forward	1,000	28,421	1,577	9,899	40,897	29,535	70,432

**MOVEMENT IN RESERVES STATEMENT (continued)**

	General Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Movement in reserves during 2021/2022</b>							
67 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

<b>Balance Sheet</b>			
<b>31/03/2022</b>		<b>Notes</b>	<b>31/03/2023</b>
<b>£'000</b>			<b>£'000</b>
	<b>Property, Plant &amp; Equipment</b>		
25,003	Other Land & Buildings	15	25,643
188	Infrastructure Assets	15	180
1,385	Vehicles, Plant, Furniture & Equipment	15	1,720
23	Community Assets	15	183
1,190	Assets Under Construction	15	29
<b>27,789</b>			<b>27,755</b>
61,553	Investment Property	16	59,938
218	Heritage Assets		218
147	Intangible Assets		104
<b>89,707</b>			<b>88,015</b>
10,558	Long Term Investments	17	10,452
1,429	Long Term Debtors	17	879
<b>101,694</b>	<b>Total Long Term Assets</b>		<b>99,346</b>
	<b>Current Assets</b>		
10,011	Short Term Investments	17	18,127
10,922	Short Term Debtors	18	9,411
11,428	Cash & Cash Equivalents	19	566
<b>32,361</b>	<b>Current Assets</b>		<b>28,104</b>
	<b>Current Liabilities</b>		
13,719	Short Term Borrowing	17	10,732
23,984	Short term Creditors	20	18,827
4,442	Provisions	21	5,086
<b>42,145</b>	<b>Current Liabilities</b>		<b>34,645</b>
<b>91,910</b>	<b>Total Assets Less Current Liabilities</b>		<b>92,805</b>
	<b>Long-Term Liabilities</b>		
16	Provisions	21	16
20,333	Long Term Borrowing	17	19,800
28,035	Net Pensions Liability	23.3	2,302
309	Other Long Term Liabilities		255
<b>48,693</b>	<b>Long-Term Liabilities</b>		<b>22,373</b>
<b>43,217</b>	<b>Net Assets</b>		<b>70,432</b>
1,000	General Fund Reserve		1,000
28,548	Earmarked Reserves	11	28,421
1,311	Capital Receipts Reserve	MIRS	1,577
228	Capital Grants Unapplied	MIRS	541
7,373	Community Infrastructure Reserve	MIRS	9,357
<b>38,460</b>	<b>Usable Reserves</b>		<b>40,896</b>
9,325	Revaluation Reserve	23.1	10,239
26,015	Capital Adjustment Account	23.2	24,336
-28,035	Pensions Reserve	23.3	-2,242
-651	Collection Fund Adjustment Account	23.4	419
-10	Financial Instruments Revaluation Reserve	23.6	-52
-1,961	Short-term Accumulating Compensated Absences Account	23.7	-2,150
74	Pooled Investments Adjustment Account	23.5	-1,014
<b>4,757</b>	<b>Unusable Reserves</b>		<b>29,536</b>
<b>43,217</b>	<b>Total Reserves</b>		<b>70,432</b>

These financial statements were authorised for issue by the Executive Director: Resources on 31/05/2023.

Simon Dix



## CASH FLOW STATEMENT

2021/2022		Note	2022/2023
£'000			£'000
5,563	Net (surplus) or deficit on the provision of services		-1,028
7,778	Adjustments to net surplus or deficit on the provision of services for non-cash movements	24	5,089
81,931	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		48,508
<b>95,272</b>	<b>Net cash flows from Operating Activities</b>		<b>52,569</b>
-90,992	Investing Activities	25	-58,219
1,962	Financing Activities	26	-5,212
<b>6,242</b>	<b>Net increase or decrease in cash and cash equivalents</b>		<b>-10,862</b>
5,186	Cash and cash equivalents at the beginning of the reporting period		11,428
<b><u>11,428</u></b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>19</b>	<b><u>566</u></b>



## **Note 1 - Accounting Policies**

### **1.1 General Principles**

The financial statements summarise the Council's transactions for the 2022/2023 financial year and its position at the year-end of 31 March 2023. 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 2022/2023 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.

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 authority's intention to hold the asset. Where the authority intends to hold the asset for several years then it will be classified as a long term asset

### **Expected Credit Loss Model**

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

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

### **Financial Assets Measured at Fair Value through Profit or Loss**

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

The 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.

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

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

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 de minimis for capital purposes of £10,000 (including groups of assets) except where a specific government grant has been received or it is an enhancement of an existing asset.

## **Impairment**

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

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

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

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

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

## Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on a straight line basis over the following time periods:

- Dwellings and other buildings - the useful economic life (UEL) of the property as estimated by the valuer;
- Vehicles, plant, furniture and equipment - 3 to 10 years, which is deemed a reasonable estimation of the UEL of these types of assets;
- Infrastructure - over the UEL of the individual assets as estimated by the valuer or Project Officer.  
- These assets have an estimated UEL of between 30 - 60 years
- Specialist equipment - depreciated over the useful economic life (UEL) of the asset as estimated by a suitably qualified person.  
- solar panels are being depreciated over 25 years

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

## Componentisation

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

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

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

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

### 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 2022/23 Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the code. 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 2022/23 and 2023/24 financial statements in respect of accounting changes that are introduced in the 2022/23 Code are:

- 1) IAS 8 - Accounting policies, changes in accounting estimates and errors. In February 2021 the board issued Definition of Accounting Estimates. The amendments introduced the definition of accounting estimates and included other amendments to help entities distinguish changes in accounting estimates from changes in accounting policies.
- 2) IAS 1 - Presentation of Financial statements. In February 2021 the Board issued Disclosure of Accounting Policies which amended IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements. The amendment amended IAS 1 to replace the requirement for entities to disclose their significant accounting policies with the requirement to disclose their material accounting policy information.
- 3) IAS 12 - Income Taxes. In May 2021 the Board issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.
- 4) IAS 3 - Updating a reference to the conceptual framework

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 2024 at the revised implementation date.

### **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:

#### **Consideration of Group Accounts**

The Council joined a Local Authority owned company, Ubico Ltd, on the 1 April 2015. This company provides a range of environmental services for the Council. The company is owned by 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.

#### 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 2023 for which there is a significant risk of material adjustment in the forthcoming financial year (due to assumptions/judgements) are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Fair Value measurement	Where PPE has been valued using Depreciated Replacement Cost (DRC) there is uncertainty around the cost of rebuilding this asset. In the current economic climate, where inflation is extremely high (construction supplies have increased by over 10% in 22-23), the cost of building supplies would result in the rebuild being materially different to the current DRC in the balance sheet.	The Council's value use BCIS indexes in calculating the rebuild cost. If the building material increased by a further 10%, this would result in a increase of approximately £980k. This is based our largest asset that is valued using the DRC method.
Fair Value measurement	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Council's external valuer). Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 16 and 17.	The Council uses market rental and sales values, along with other 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 £349,900. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties.



Pensions Liability	<p>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 34.</p>	<p>The effects on the scheme liabilities of changes in individual assumptions can be measured and the sensitivities regarding the principal assumptions are set out below:</p> <p>The main demographic assumption is around the life expectancy of members. The actuary estimates that a one year increase in life expectancy would increase the Employer's Defined Benefit Obligation by around 3-5%.</p>	
	<b>Change in assumptions at year ended 31 March 2023</b>	<b>Approx. % increase to Employer Liability</b>	<b>Approx. monetary amount (£'000)</b>
	0.1% decrease in Real Discount Rate	2%	1,235
	1 year increase in member life expectancy	4%	2,884
	0.1% increase in the Salary Increase Rate	0%	151
0.1% increase in the Pension Increase Rate (CPI)	2%	1,102	

## 5. EXPENDITURE AND FUNDING ANALYSIS

	2021/22				2022/23		
	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis (Note 10)	Net Expenditure in the CIES		Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis (Note 10)	Net Expenditure in the CIES
	£'000	£'000	£'000		£'000	£'000	£'000
	255	36	291	Chief Executive Unit	283	58	341
	4,025	1,518	5,543	Community Services	4,695	1,734	6,429
	2,190	736	2,926	Corporate Services	2,815	732	3,547
	542	0	542	COVID-19 Business Grants	0	0	0
	665	85	750	Democratic Services	898	65	963
	0	-17	-17	Deputy Chief Executive Unit	0	0	0
	468	714	1,182	Development Services	1,960	479	2,439
	2,991	-754	2,237	Finance and Asset	1,620	-626	994
	293	582	875	One Legal	187	405	592
	106	40	146	Borough Solicitor	189	30	219
	<b>11,535</b>	<b>2,940</b>	<b>14,475</b>	<b>Total Cost of Continuing Operations</b>	<b>12,647</b>	<b>2,877</b>	<b>15,524</b>
	2,243	-4,152	-1,909	Other Operating Expenditure	2,434	-524	1,910
	-1,940	-1,470	-3,410	Financing and Investment Income and Expenditure	-1,763	1,697	-66
	-10,059	-4,660	-14,719	Taxation and Non-Specific Grant Income and Expenditure	-13,191	-3,149	-16,340
	<b>-9,756</b>	<b>-10,282</b>	<b>-20,038</b>		<b>-12,520</b>	<b>-1,976</b>	<b>-14,496</b>
	<b>1,779</b>	<b>-7,342</b>	<b>-5,563</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>127</b>	<b>901</b>	<b>1,028</b>
	<b>31,327</b>			<b>Opening General Fund Balance</b>	<b>29,548</b>		
	<b>-1,779</b>			<b>Less surplus or (deficit) on General Fund Balance in year</b>	<b>-127</b>		
	<b>29,548</b>			<b>Closing General Fund Balance at 31 March</b>	<b>29,421</b>		
	<b>1,000</b>			<b>Closing Balance made up of</b>			
	<b>28,548</b>			General Fund Balance	<b>1,000</b>		
	<b>29,548</b>			Earmarked Reserves (note 11)	<b>28,421</b>		
					<b>29,421</b>		

## 6. Expenditure and Funding Analysis detail

<b>Adjustments from General Fund to arrive at the CIES amounts 2022/2023</b>	<b>Adjustment for Capital Purposes £'000</b>	<b>Net Change to the Pensions Adjustment £'000</b>	<b>Other Statutory Adjustments £'000</b>	<b>Other Non Statutory Adjustments £'000</b>	<b>Total Adjustments £'000</b>
Chief Executive Unit	0	49	0	9	58
Community Services	1,336	344	0	55	1,735
Corporate Services	158	509	0	63	730
Democratic Services	0	57	0	8	65
Deputy Chief Executive Unit	0	0	0	0	0
Development Services	20	451	0	8	479
Finance and Asset	460	-1,111	0	25	-626
One Legal	3	384	0	19	406
Borough Solicitor	0	28	0	2	30
<b>Total Cost of Continuing Operations</b>	<b>1,977</b>	<b>711</b>	<b>0</b>	<b>189</b>	<b>2,877</b>
∞ Other Operating Expenditure	-524	0	0	0	-524
Financing and Investment Income and Expenditure	-1,773	766	0	2,704	1,697
Taxation and Non-Specific Grant Income and Expenditure	-2,079	0	-1,070	0	-3,149
<b>Difference between General Fund surplus or deficit and CIES surplus on the provision of services</b>	<b>-2,399</b>	<b>1,477</b>	<b>-1,070</b>	<b>2,893</b>	<b>901</b>

## 6. Expenditure and Funding Analysis detail (continued)

Adjustments from General Fund to arrive at the CIES amounts 2021/2022	Adjustment for Capital Purposes £'000	Net Change to the Pensions Adjustment £'000	Other Statutory Adjustments £'000	Other Non Statutory Adjustments £'000	Total Adjustments £'000
Chief Executive Unit	0	23	0	13	36
Community Services	1,086	356	0	77	1,519
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	713
Finance and Asset	477	-1,299	0	67	-755
One Legal	3	448	0	131	582
Borough Solicitor	0	33	0	7	40
<b>Total Cost of Continuing Operations</b>	<b>1,695</b>	<b>702</b>	<b>0</b>	<b>542</b>	<b>2,939</b>
Other Operating Expenditure	-4,151	0	0	0	-4,151
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
<b>Difference between General Fund surplus or deficit and CIES surplus on the provision of services</b>	<b>-4,167</b>	<b>1,447</b>	<b>-4,026</b>	<b>-596</b>	<b>-7,342</b>

## 7. Material Items of Income and Expense

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

	<b>2021/2022</b>	<b>2022/2023</b>
	<b>£'000</b>	<b>£'000</b>
Revenues from external customers		
Rents, Lettings, Wayleaves, Easements	-3,547	-3,473
Development Services - Planning Fees	-1,332	-1,189
One Legal - recharges for services to other local authorities	-950	-1,641
Community Services - Garden Waste Income	-1,007	-1,049

Material income from Grants and Contributions is disclosed on Note 30.

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.

## 8. Expenditure & Income Analysed By Nature

	<b>2021/2022</b>	<b>2022/2023</b>
	<b>£'000</b>	<b>£'000</b>
<b>Expenditure</b>		
Employee Benefits	12,367	12,774
Other Services	25,916	27,268
Depreciation, Amortisation, Impairment and Revenue Financing	1,695	4,681
Interest Payments	463	449
Precepts and Levies	2,242	2,433
Loss on Disposal/Impairment of Assets	0	1,882
COVID-19 Business Grants	1,597	0
<b>Total Expenditure</b>	<b>44,281</b>	<b>49,487</b>
<b>Income</b>		
Fees, Charges & Other Service Income	-15,099	-13,324
Interest & Investment Income	-3,783	-4,259
Capital Revaluation Gains	-1,199	0
Council Tax, Non-Domestic Rates	-9,830	-11,110
Government Grants & Contributions	-18,222	-19,690
COVID-19 Business Grants	-1,066	0
COVID-19 Grants	-644	-75
<b>Total Income</b>	<b>-49,844</b>	<b>-48,459</b>
<b>Surplus/Deficit</b>	<b>-5,563</b>	<b>1,028</b>

## 9. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Executive Director: Resources 31/05/2023. Events taking place after this date are not reflected in the financial statements or notes.

On Monday 15 May 2023 Tewkesbury Borough Council received a letter from Homes England agreeing to the withdrawal from the Housing Infrastructure Fund Marginal Viability Fund (HIF MVF) which was the programme that was utilised to finance the delivery of the Ashchurch Bridge over Rail project.

The commencement date of the project was 1 April 2019 with an initial project completion date of 31 March 2022. However, due to challenges faced in the delivery of the project, extensions to the programme had been agreed. Planning permission was granted in March 2021 however a judicial review challenge by Ashchurch Rural Parish Council (ARPC) meant that no works could commence until the High Court decision had been made. In January 2022 the decision was upheld however ARPC appealed this decision and on 7 February 2023 the Court of Appeal ruled in favour of ARPC.

The successful appeal meant that our planning committee would have to redetermine the application for the bridge which would again delay the project. A further extension was sought from Homes England but given the time bound nature of the MVF programme, an extension was not agreed and Tewkesbury Borough Council formally withdrew from the HIF MVF programme to fund the Ashchurch Bridge over Rail project.

Homes England recognised that all expenditure incurred in the delivery of the project was in good faith and agreed to fund the £1,762k incurred to date. In light of this we have financed the expenditure using this capital grant and have impaired the whole of the Ashchurch bridge Asset under Construction as at 31 March 2022. Whilst this impacts the Comprehensive Income and Expenditure Statement it is reversed out through the Movement in Reserves Statement so it does not impact the General Fund in line with CIPFA Code of Practice.

As the events after the balance sheet provide evidence of the impairment of the asset at the balance sheet date, all accounting adjustments have been reflected within these financial statements.

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

2021/2022 Usable Reserves				2022/2023 Usable Reserves		
General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied including CIL Reserve		General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied including CIL Reserve
£'000	£'000	£'000		£'000	£'000	£'000
<b>Adjustments to revenue reserves</b>						
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure statement are different from revenue for the year calculated in accordance with statutory requirements</i>						
-1,447	0	0	Pension costs (transferred to (or from) the Pensions Reserve)	-1,477	0	0
614	0	0	Pooled investment funds (transferred to the pooled investment funds adjustment account)	-1,088	0	0
4,026	0	0	Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	1,070	0	0
-542	0	0	Holiday pay (transferred to the Accumulated Absences Reserve)	-190	0	0
-1,171	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)	-5,482	0	0
<b>1,480</b>	<b>0</b>	<b>0</b>	<b>Total Adjustments to revenue resources</b>	<b>-7,167</b>	<b>0</b>	<b>0</b>
<b>Adjustments between revenue and capital resources</b>						
539	-539	0	Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	429	-429	0
634	0	-917	Transfer of capital grants and contributions to capital grants unapplied	2,079	0	-2,080
882	0	0	Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	927	0	0
3,613	0	-3613	Transfers in respect of community infrastructure levy (CIL) receipts	1,985	0	-1,984
194	0	0	Capital Expenditure financed from revenue balances (transfers to the Capital Adjustment Account)	846	0	0
<b>5,862</b>	<b>-539</b>	<b>-4,530</b>	<b>Total adjustments between revenue and capital resources</b>	<b>6,266</b>	<b>-429</b>	<b>-4,064</b>
<b>Adjustments to capital resources</b>						
0	318	0	Use of the Capital Receipts Reserve to finance capital expenditure	0	163	0
0	0	767	Receipt and Application of capital grants to finance capital expenditure	0	0	1,766
0	0	0	Cash payments in relation to deferred capital receipts	0	0	0
<b>0</b>	<b>318</b>	<b>767</b>	<b>Total adjustments to capital resources</b>	<b>0</b>	<b>163</b>	<b>1,766</b>
<b>7,342</b>	<b>-221</b>	<b>-3,763</b>	<b>Total adjustments</b>	<b>-901</b>	<b>-266</b>	<b>-2,298</b>

## 11. 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 2022/2023.

	Balance 31/03/2021 £'000	Movement 2021/2022 £'000	Balance 31/03/2022 £'000	Movement 2022/2023 £'000	Balance 31/03/2023 £'000
Asset Management Reserve*	1,322	-234	1,556	-40	1,596
Borough Growth Reserve	628	0	628	49	579
Borough Regeneration Reserve	82	0	82	61	21
Business Rates Earmarked Reserve	4,916	3,736	1,180	596	584
Business Rates Reserve	500	500	0	0	0
Business Support Reserve	1,004	750	254	166	88
Business Transformation Reserve**	999	-290	1,289	-251	1,540
Climate Change Reserve	404	39	365	255	110
Community Support Reserve***	884	-9	893	-115	1,008
Council Tax Reserve	251	0	251	153	98
Development Management Reserve	485	12	473	74	399
Development Policy Reserve****	911	-1,108	2,019	281	1,738
Elections Reserve	191	0	191	-38	229
Flood Support and Protection Reserve	10	0	10	0	10
Garden Town Reserve	1,202	-82	1,284	913	371
Health & Leisure Development reserve	101	99	2	2	0
Horsford Reserve	75	4	71	5	66
Housing & Homeless Reserve	543	-106	649	92	557
Information Technology Reserve	231	64	167	2	165
Insurance Reserve	60	0	60	60	0
Investment Reserve	350	-100	450	-150	600
Mayors Charity Reserve	5	0	5	0	5
MTFS Equalisation Reserve*****	2,781	-322	3,103	135	2,968
Open Space & watercourse Reserve*****	738	100	638	-291	929
Organisational Development Reserve	104	-54	158	-553	711
Planning Obligation Reserve*****	9,620	454	9,166	-1,061	10,227
Risk Management Reserve	260	-500	760	150	610
Transport Initiatives Reserves	0	0	0	0	0
Waste & Recycling Development Reserve*****	2,153	-691	2,844	-368	3,212
<b>Totals</b>	<b>30,810</b>	<b>2,262</b>	<b>28,548</b>	<b>127</b>	<b>28,421</b>

### Material Reserves

\* 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.

\*\*Business transformation reserve are funds set aside to improve efficiencies and automation at an operational level.

\*\*\*Community support reserves are funds directly linked to projects that facilitate local businesses and community groups.

\*\*\*\*Development policy reserve is funding to support infrastructure for new developments.

\*\*\*\*\*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.



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

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

### Hierarchy of Reserves

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

	<b>Balance</b>
	<b>31/03/2023</b>
	<b>£'000</b>
External/Ringfenced	3,641
Agreed Projects	5,510
Planned Expenditure	3,462
Uncommitted Reserve	4,926
Planning Obligations Reserve	10,227
Trust and Charity reserves	71
Business rates reserve	584
	<b><u>28,421</u></b>

## 12. Other Operating Income & Expenditure

2021/2022 £'000		2022/2023 £'000
-3,613	Community Infrastructure Levy Capital Receipts	-1,984
2,242	Parish Council Precepts	2,433
0	Payments to Government Housing Capital Receipts Pool	0
-61	Gains/Losses on Disposal Of Non-Current Assets	8
0	Impairment of Asset	1874*
-477	Other Income - Right to Buy Sales	-421
<u><u>-1,909</u></u>		<u><u>36</u></u>

\*Please see Note 9 for further explanation

## 13. Financing & Investment Income & Expenditure

2021/2022 £'000		2022/2023 £'000
463	Interest payable and similar charges	449
-53	Interest receivable and similar income	-534
745	Net interest on the net defined benefit liability	766
-524	Income and expenditure in relation to changes in investment properties fair value	1,616
-3,050	Income and expenditure in relation to investment properties	-3,053
-991	Gains/losses and dividends for financial instruments classified as fair value through profit and loss	690
<u><u>-3,410</u></u>		<u><u>-66</u></u>

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

2021/2022 £'000		2022/2023 £'000
-6,914	Council Tax Income	-7,409
-1,327	Non-domestic rates income and expenditure	-3,701
-23	Revenue Support Grant	-24
-3,589	Other Non-Ring fenced Government Grants	-3,127
-1,588	Expanded Retail Relief - Non-domestic rates	0
-634	Capital Grants and Contributions	-2,079
-644	COVID-19 Grants	0
<u><u>-14,719</u></u>		<u><u>-16,340</u></u>

## 15. Property, Plant and Equipment

### Movements in 2022/23

	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Total Plant, Property & Equipment £'000
<b>Cost or Valuation</b>						
<b>At 1 April 2022</b>	<b>25,003</b>	<b>6,883</b>	<b>326</b>	<b>23</b>	<b>1,190</b>	<b>33,425</b>
Additions	0	443	0	0	1,582	2,025
Transfers	0	708	0	160	-868	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	640	0	0	0	0	640
Revaluation increases/(decreases) to Surplus/Deficit on Provision of Services	0	0	0	0	0	0
Derecognition-disposals	0	-97	0	0	-1,875	-1,972
<b>At 31 March 2023</b>	<b>25,643</b>	<b>7,937</b>	<b>326</b>	<b>183</b>	<b>29</b>	<b>34,118</b>
<b>Accumulated Depreciation and Impairment</b>						
<b>At 1 April 2022</b>	<b>0</b>	<b>-5,498</b>	<b>-138</b>	<b>0</b>	<b>0</b>	<b>-5,636</b>
Depreciation charge	-365	-800	-8	0	0	-1,173
Depreciation written out to Revaluation Reserve	365	0	0	0	0	365
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	81	0	0	0	81
<b>At 31 March 2023</b>	<b>0</b>	<b>-6,217</b>	<b>-146</b>	<b>0</b>	<b>0</b>	<b>-6,363</b>
<b>Net Book Value</b>						
<b>At 31 March 2023</b>	<b>25,643</b>	<b>1,720</b>	<b>180</b>	<b>183</b>	<b>29</b>	<b>27,755</b>
<b>At 31 March 2022</b>	<b>25,003</b>	<b>1,385</b>	<b>188</b>	<b>23</b>	<b>1,190</b>	<b>27,789</b>

15. Property, Plant and Equipment (continued)

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
<b>Cost or Valuation</b>						
<b>At 1 April 2021</b>	<b>24,095</b>	<b>6,853</b>	<b>326</b>	<b>23</b>	<b>953</b>	<b>32,250</b>
Additions	0	417	0	0	236	653
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	-387	0	0	0	-387
<b>At 31 March 2022</b>	<b>25,003</b>	<b>6,883</b>	<b>326</b>	<b>23</b>	<b>1,190</b>	<b>33,425</b>
<b>Accumulated Depreciation and Impairment</b>						
<b>At 1 April 2021</b>	<b>0</b>	<b>-5,213</b>	<b>-129</b>	<b>0</b>	<b>0</b>	<b>-5,343</b>
Depreciation charge	-348	-673	-8	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
<b>At 31 March 2022</b>	<b>0</b>	<b>-5,498</b>	<b>-137</b>	<b>0</b>	<b>0</b>	<b>-5,636</b>
<b>Net Book Value</b>						
<b>At 31 March 2022</b>	<b>25,003</b>	<b>1,385</b>	<b>189</b>	<b>23</b>	<b>1,190</b>	<b>27,789</b>
<b>At 31 March 2021</b>	<b>24,095</b>	<b>1,640</b>	<b>197</b>	<b>23</b>	<b>953</b>	<b>26,908</b>

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

### Depreciation

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

- Other Land and Buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, Plant, Furniture & Equipment – 3 - 10 years
- Photovoltaic Solar Panels – 25 years
- Infrastructure – as estimated by the valuer or Project Officer

### Capital Commitments

As at 31 March 2023, the Council has not entered into any material capital contracts to undertake works on assets that are owned

### Effects of Changes in Estimates

In 2022/2023, the Council changed its depreciation policy for laptops by reducing the UEL from 5 to 3 years to reflect the true economic benefit of these assets. The result of this change is immaterial.

### Revaluations

During 2022/23 financial year the Council undertook a tender exercise and appointed Wilks Head and Eve LLP as our external valuers for a 5 year period until 2028. There is also an option to extend the contract by 3 further years. The contract specifies that all Property, Plant and Equipment, required to be measured at current value, is revalued annually as at the 31 March. Valuations of land and buildings have been carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

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

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

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

	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Community and Infrastructure Assets</b>	<b>Assets under Construction</b>	<b>TOTAL</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Carried at historical cost	0	1,720	363	0	<b>2,083</b>
Carried at cost incurred to date	0	0	0	29	<b>29</b>
Valued at current value	25,643	0	0	0	<b>25,643</b>
<b>Total Cost or Valuation</b>	<b>25,643</b>	<b>1,720</b>	<b>363</b>	<b>29</b>	<b>27,755</b>

## 16. Investment Properties

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

2021/2022 £'000		2022/2023 £'000
-3,099	Rental income from investment property	-3,145
2	Direct operating expenses arising from investment property	8
<u>-3,097</u>	<b>Net (gain)/loss</b>	<u>-3,137</u>

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:

2021/2022 £'000		2022/2023 £'000
61,029	<b>Balance 1 April</b>	61,553
	<b>Additions:</b>	
0	Purchases	0
	<b>Disposals:</b>	
524	Net gains/losses from fair value adjustments	-1,616
<u>61,553</u>	<b>Balance 31 March</b>	<u>59,938</u>

### 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	1,771	0	1,771
Commercial Units	0	57,817	0	57,817
Other	0	0	350	350
Total as at 31 March 2023	<u>0</u>	<u>59,588</u>	<u>350</u>	<u>59,938</u>

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 2023 is £350k (value as at 31 March 2022 was £337k). There has been no change in the assets identified in this category.

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

	Valuation technique used to measure fair value	Unobservable Inputs	Range	Sensitivity
Golf Club	Comparative based on limited rental evidence	Rental Value	£30 - £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.



## 17. 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

Financial Liabilities	Long term				Short term				TOTAL	
	Borrowing		Creditors		Borrowing		Creditors		31/03/2023 £000s	31/03/2022 £000s
	31/03/2023 £000s	31/03/2022 £000s	31/03/2023 £000s	31/03/2022 £000s	31/03/2023 £000s	31/03/2022 £000s	31/03/2023 £000s	31/03/2022 £000s		
Amortised Cost	19,800	20,333	101	101	10,732	13,719	3,277	2,479	33,910	36,632
<b>Total Financial Liabilities</b>	<b>19,800</b>	<b>20,333</b>	<b>101</b>	<b>101</b>	<b>10,732</b>	<b>13,719</b>	<b>3,277</b>	<b>2,479</b>	<b>33,910</b>	<b>36,632</b>
Liabilities not defined as financial instruments	0	0	22,272	48,592	0	0	31,499	39,666	53,771	88,258
<b>TOTAL</b>	<b>19,800</b>	<b>20,333</b>	<b>22,373</b>	<b>48,693</b>	<b>10,732</b>	<b>13,719</b>	<b>34,776</b>	<b>42,145</b>	<b>87,681</b>	<b>124,890</b>

\* The total short-term borrowing includes £191k representing accrued interest on long-term borrowing, as well as the principal and interest due on repayments within 12 months.

### 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.

**The financial assets disclosed in the Balance Sheet are analysed across**

Financial Assets	Long term				Short term				TOTAL	
	Investments		Debtors		Investments		Debtors			
	31/03/2023 £000s	31/03/2022 £000s	31/03/2023 £000s	31/03/2022 £000s	31/03/2023 £000s	31/03/2022 £000s	31/03/2023 £000s	31/03/2022 £000s	31/03/2023 £000s	31/03/2022 £000s
Fair value through profit or loss	7,979	9,067	0	0	0	0	0	0	7,979	9,067
Amortised cost	2,025	1,000	236	278	18,127	10,011	3,992	4,503	24,381	15,792
Fair value through other comprehensive income – designated equity instruments	448	491	0	0	0	0	0	0	448	491
Cash & Cash Equivalents	0	0	0	0	566	11,428	0	0	566	11,428
<b>Total Financial Assets</b>	<b>10,452</b>	<b>10,558</b>	<b>236</b>	<b>278</b>	<b>18,694</b>	<b>21,439</b>	<b>3,992</b>	<b>4,503</b>	<b>33,374</b>	<b>36,778</b>
<b>Assets not defined as financial instruments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,584</b>	<b>6,419</b>	<b>4,584</b>	<b>6,419</b>
<b>TOTAL</b>	<b>10,452</b>	<b>10,558</b>	<b>236</b>	<b>278</b>	<b>18,694</b>	<b>21,439</b>	<b>8,576</b>	<b>10,922</b>	<b>37,958</b>	<b>43,197</b>

**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	
	31.03.23 £000s	31.03.22 £000s	2022/23 £000s	2021/22 £000s
Fundamentum REIT	448	490	13	5
<b>Total</b>	<b>448</b>	<b>490</b>	<b>13</b>	<b>5</b>

## 17. 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	Amortised Cost	Elected to Fair Value through OCI	Fair Value through Profit & Loss	2022/23 Total	2021/22 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	449	0	0	0	449	463
Losses from change in fair value	0	0	0	0	0	0
<b>Interest payable and similar charges **</b>	<b>449</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>449</b>	<b>463</b>
Interest income	0	-534	0	0	-534	-61
Dividend income	0	0	-13	-385	-398	-369
Loss from changes in fair value	0	0	0	1,088	1,088	-605
Impairment loss reversals	0	0	0	0	0	0
<b>Interest and investment income **</b>	<b>0</b>	<b>-534</b>	<b>-13</b>	<b>703</b>	<b>156</b>	<b>-1034</b>
<b>Net impact on surplus/deficit on provision of services</b>	<b>449</b>	<b>-534</b>	<b>-13</b>	<b>703</b>	<b>605</b>	<b>-571</b>
<b>Impact on other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>43</b>	<b>0</b>	<b>43</b>	<b>10</b>
<b>Net Gain/(Loss) for the Year</b>	<b>449</b>	<b>-534</b>	<b>30</b>	<b>703</b>	<b>648</b>	<b>-561</b>

### 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 2023, 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

#### 105 Financial liabilities

	Fair Value Level	Balance Sheet 31 March 2023 £000s	Fair Value 31 March 2023 £000s	Balance Sheet 31 March 2022 £000s	Fair Value 31 March 2022 £000s
<i>Financial liabilities held at amortised cost:</i>					
Long-term loans from PWLB**	2	19,800	13,538	20,333	19,422
<b>TOTAL</b>		<b>19,800</b>	<b>13,538</b>	<b>20,333</b>	<b>19,422</b>
Liabilities for which fair value is not disclosed *		14,110		16,299	
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>33,910</b>		<b>36,632</b>	
<i>Recorded on balance sheet as:</i>					
Short-term creditors		3,277		2,479	
Short-term borrowing		10,732		13,719	
Long-term creditors		101		101	
Long-term borrowing		19,800		20,333	
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>33,910</b>		<b>36,632</b>	

\* 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.

\*\*The Long term loans from PWLB would materially change if the interest rates were to change by 1%. The impact of the fair value if there was fall of 1% would be £2.1m and the impact of a rise would be £1.6m

### Financial Assets

	Fair Value Level	Balance Sheet 31 March 2023 £000s	Fair Value 31 March 2023 £000s	Balance Sheet 31 March 2022 £000s	Fair Value 31 March 2022 £000s
<i>Financial assets held at fair value:</i>					
Money market funds	1	1,450	1,450	6,500	6,500
Property funds and non-traded REITs	2	4,088	4,088	4,850	4,850
Bond, equity and diversified funds	1	4,339	4,339	4,708	4,708
<b>TOTAL</b>		<b>9,877</b>	<b>9,877</b>	<b>16,058</b>	<b>16,058</b>
Assets for which fair value is not disclosed *		23,497		20,720	
<b>TOTAL FINANCIAL ASSETS</b>		<b>33,374</b>		<b>36,778</b>	
<i>Recorded on balance sheet as:</i>					
Long-term debtors		236		278	
Long-term investments		10,452		10,558	
Short-term debtors		3,992		4,503	
Short-term investments		18,127		10,011	
Cash and cash equivalents		566		11,428	
<b>TOTAL FINANCIAL ASSETS</b>		<b>33,373</b>		<b>36,778</b>	

\* 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.

## 18. Short Term Debtors

The balances outstanding at 31 March are summarised as follows:

	2021/2022 £'000	2022/2023 £'000
Local Tax Collection - Government bodies	819	594
Local Tax Collection - Ratepayer Arrears	1,162	1,436
Trade Debtors	2,065	1,765
Other Debtors	6,318	4,592
Prepayments & accrued income	2,246	2,708
<b>Gross Debts</b>	<b>12,610</b>	<b>11,095</b>
less Bad Debt Impairments	-1,688	-1,684
<b>Total Net Debtors</b>	<b>10,922</b>	<b>9,411</b>

## 19. Cash and Cash Equivalents

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

	2021/2022 £'000	2022/2023 £'000
Cash held by the Council	189	322
Bank current accounts	-763	-1,212
Short-term deposits	12,002	1,456
<b>Total Cash and Cash Equivalents</b>	<b>11,428</b>	<b>566</b>

## 20. Short Term Creditors

The balances outstanding at 31 March are summarised as follows:

	2021/2022 £'000	2022/2023 £'000
Local Tax Collection - Precepting/billing authorities	10,529	8,995
Local Tax Collection - Ratepayer Accounts	1,513	943
Other Taxation	225	196
Trade Creditors	1,248	1,909
Other creditors	10,468	6,784
<b>Total</b>	<b>23,983</b>	<b>18,827</b>

## 21. Provisions

### 21.1 Short Term Provisions

	<b>Outstanding Legal Cases</b>	<b>Business Rate Appeals Provision</b>	<b>Other Provisions</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April 2022</b>	<b>682</b>	<b>3,708</b>	<b>52</b>	<b>4,442</b>
Additional provisions made	673	656	33	<b>1,362</b>
Amounts used	-398	-108	-15	<b>-521</b>
Unused amounts reversed	-197	0	-1	<b>-198</b>
<b>Balance at 31 March 2023</b>	<b>760</b>	<b>4,256</b>	<b>69</b>	<b>5,085</b>

### 21.2 Long Term Provisions

	<b>Outstanding Legal Cases</b>	<b>Business Rate Appeals Provision</b>	<b>Other Provisions</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April 2022</b>	<b>0</b>	<b>0</b>	<b>16</b>	<b>16</b>
Unused amounts reversed	0	0	0	<b>0</b>
<b>Balance at 31 March 2023</b>	<b>0</b>	<b>0</b>	<b>16</b>	<b>16</b>

#### Description of main provisions

##### Outstanding Legal Cases

There are a number of planning appeals which are subject to appeal and which are yet to be determined, these provisions amount to £453k.

Prosecution of Morrisons has resulted in a challenge to the decision which remains outstanding, total provision to date stands at £150k.

We have a number of other cases/matters which remain unresolved and a provision has been made in the sum of £216k.

##### 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 £4,256k at the 31 March 2023 relating to business rate appeals.

There is a provision of £200k which is to cover anticipated legal costs as part of the Councils statutory responsibility to investigate two Health & Safety at work accidents within Tewkesbury Borough business premises.

## 22. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 5, 10 and 11.

## 23. Unusable Reserves

### 23.1 Revaluation Reserve

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

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

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

<b>2021/2022</b> <b>£'000</b>		<b>2022/2023</b> <b>£'000</b>
8,150	<b>Balance at 1 April</b>	9,325
1,256	Upward revaluation of assets & reversal of previous impairment losses	1,017
-81	Difference between fair value depreciation and historical cost depreciation	-103
<hr/> <b>9,325</b> <hr/>	<b>Balance at 31 March</b>	<hr/> <b>10,239</b> <hr/>



## **23.2 Capital Adjustment Account**

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

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.

## 23.2 Unusable Reserves (continued)

<b>Capital Adjustment Account</b>		
<b>2021/2022</b>		<b>2022/2023</b>
<b>£'000</b>		<b>£'000</b>
<b>24,943</b>	<b>Balance at 1 April</b>	<b>26,015</b>
<b><i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</i></b>		
-1,029	Charges for depreciation and impairment of non-current assets	-3,047
0	Revaluation losses on Property, Plant and Equipment	0
-45	Amortisation of intangible assets	-43
-621	Revenue expenditure funded from capital under statute	-749
0	Adjusting amounts written out of the Revaluation Reserve	103
81	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-16
<b><i>Capital financing applied in the year:</i></b>		
318	Use of the Capital Receipts Reserve to finance new capital expenditure	162
768	Application of grants to capital financing from the Capital Grants Unapplied Account	1,766
882	Statutory provision for the financing of capital investment charged against the General Fund	927
194	Capital expenditure charged against the General Fund	846
524	Movements in the market value of Investment and donated properties debited or credited to the Comprehensive Income and Expenditure Statement	-1,628
<b>26,015</b>	<b>Balance at 31 March</b>	<b>24,336</b>

### 23.3 Pensions Reserve

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

2021/2022 £'000		2022/2023 £'000
-36,974	<b>Balance at 1 April</b>	-28,035
10,386	Remeasurements of the net defined benefit liability/(asset)	27,270
-4,282	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	-4,244
2,835	Employer's pensions contributions and direct payments to pensioners payable in the year	2,767
<u>-28,035</u>	<b>Balance at 31 March</b>	<u>-2,242</u>

### 23.4 Collection Fund Adjustment Account

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

2021/2022 £'000		2022/2023 £'000
-4,677	<b>Balance at 1 April</b>	-651
4,026	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements.	1,070
<u>-651</u>	<b>Balance at 31 March</b>	<u>419</u>

### 23.5 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.

2021/2022 £'000		2022/2023 £'000
-540	<b>Balance at 1 April</b>	74
614	Fair value gain on financial instruments	0
0	Fair value losses on financial instruments	-1,088
<u>74</u>	<b>Balance at 31 March</b>	<u>-1,014</u>

### 23.6 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.

2021/2022 £'000		2022/2023 £'000
0	<b>Balance at 1 April</b>	-10
-10	Fair value losses on financial instruments	-42
<u>-10</u>	<b>Balance at 31 March</b>	<u>-52</u>

### 23.7 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, e.g. 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.

2021/2022 £'000		2022/2023 £'000
-1,419	<b>Balance at 1 April</b>	-1,961
-498	Annual Leave Accrual	-128
-44	Flexi Leave Accrual	-61
<u>-1,961</u>	<b>Balance at 31 March</b>	<u>-2,150</u>

## 24. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2021/2022 £'000	Specific Inflows	2022/2023 £'000
62	Interest received	390
-475	Interest paid	-436
370	Dividends received	393
<u>-43</u>		<u>347</u>

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

2021/2022 £'000		2022/2023 £'000
1,030	Depreciation	1,173
0	Impairment & downward valuations	1,886
45	Amortisation	43
5,719	Change in creditors	-3,324
-63	Change in debtors	407
1,438	Movement in pension liability	1,540
0	Carrying Amount of non-current assets sold	16
-391	Other non-cash items charged to the net surplus or deficit on the provision of services	3,348
<u>7,778</u>		<u>5,089</u>

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

2021/2022 £'000		2022/2023 £'000
87,000	Proceeds from short term and long term investments	53,000
-529	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-429
-4,540	Any other items which cash effects are investing or financing cash flows	-4,063
<u>81,931</u>		<u>48,508</u>

## 25. Cash Flow Statement – Investing Activities

2021/2022 £'000		2022/2023 £'000
-400	Purchase of property, plant and equipment, investment property and intangible	-2,366
-93,500	Purchase of short-term and long-term investments	-62,000
185	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0
0	Proceeds from short-term and long-term investments	-615
2,723	Other Receipts from Investing activities	6,762
<b>-90,992</b>	<b>Net cash flows from investing activities</b>	<b>-58,219</b>

## 26. Cash Flow Statement – Financing Activities

2021/2022 £'000		2022/2023 £'000
13,000	Cash receipts of short and long-term borrowing	10,000
-18,533	Repayments of short and long-term borrowing	-13,533
7,495	Other payments for financing activities	-1,679
<b>1,962</b>	<b>Net cash flows from financing activities</b>	<b>-5,212</b>

## 27. Members' Allowances

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

	2021/22 £'000	2022/23 £'000
Allowances	344	350
Mileage & Subsistence	2	3
Other Expenses	0	0
<b>Total Reimbursement</b>	<b>348</b>	<b>353</b>

The above figures include a basic allowance for each member of £7,350.

## 28. Officers' Remuneration

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

Post Title	Note	Year	Salary, Fees and Allowances £'000	Compensation for loss of Office £'000	Pension Contributions £'000	Total Remuneration £'000
<b>Current Posts</b>						
Chief Executive	1	2022/2023	98	0	19	117
		2022/2023	38	0	0	38
		2021/2022	122	0	0	122
Borough Solicitor	2	2022/2023	98	56	21	175
		2021/2022	104	0	19	123
Section 151 Officer (Chief Finance Officer)		2022/2023	86	0	17	103
		2021/2022	82	0	16	98
Head of Community Services		2022/2023	78	0	15	93
		2021/2022	75	0	15	90
Head of Development Services	5	2022/2023	78	35	15	128
		2021/2022	74	0	15	89
Head of Corporate Services		2022/2023	78	0	15	93
		2021/2022	75	0	15	90
Director of One Legal	3	2022/2023	108	0	22	130
		2021/2022	7	0	1	8
Garden Town Programme Director		2022/2023	81	0	16	97
		2021/2022	79	0	16	95

Head of Democratic Services	4	2022/2023	81	41	74	196
		2021/2022	75	0	14	89
<b>Total</b>		<b>2022/2023</b>	<b>824</b>	<b>132</b>	<b>214</b>	<b>1,170</b>
		<b>2021/2022</b>	<b>693</b>	<b>0</b>	<b>111</b>	<b>804</b>

### Notes

1. The Chief Executive left the authority on 12/06/2022. The new Chief Executive started on 13/06/2022
2. The authority made the post redundant in 2022/23 as part of a management restructure. The incurred liability of £56k is included in compensation of loss of office. The post will be deleted from 1st July 2023.
3. The Director of One Legal started on 07/03/2022.
4. The authority made the post redundant in 2022/23 as part of a management restructure. The incurred liability of £41k is included in compensation of loss of office. The post will be deleted from 1st July 2023.
5. The authority terminated the employees contract in 2022/23, incurring liabilities of £35k.

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

Remuneration Band	Number of Employees	
	2021/2022	2022/2023
	Total	Total
£50,000 - £54,999	5	6
£55,000 - £59,999	1	5
£60,000 - £64,999	3	2
£65,000 - £69,999	0	1
£70,000 - £74,999	2	0
£75,000 - £79,999	1	1
	<b>12</b>	<b>15</b>



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

Exit package cost band (including special payments)	Number of Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in each Band	
	2021/2022	2022/2023	2021/2022	2022/2023	2021/2022	2022/2023	2021/2022	2022/2023
£							£'000	£'000
<b>0 - 20,000</b>			1		1		10	0
<b>20,001 - 40,000</b>				1		1	0	35
<b>40,001 - 60,000</b>		1				1	0	58
<b>60,001 - 80,000</b>							0	0
<b>80,001 -100,000</b>		1				1	0	99
<b>Total cost included in bandings and in the CIES</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>10</b>	<b>192</b>

The total cost of £192k in the table above includes redundancies of two senior employees. The costs were accrued as per 31st March 2023 and form part of short term creditors. The costs have been charged to the authority's Comprehensive Income and Expenditure Statement in the current year.

#### Termination Benefits

One termination package has been agreed before 31st March 2023 to be paid in 2023/24. The total cost of £35k has been charged to the authority's Comprehensive Income and Expenditure Statement in the current year and forms part of short term creditors.

## 29. Audit Costs

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

	<b>2021/2022</b> <b>£'000</b>	<b>2022/2023</b> <b>£'000</b>
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor.	63	62
Fees payable to Grant Thornton for the certification of grant claims and returns.	35	35
	<u>98</u>	<u>97</u>

## 30. Grant Income

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

	<b>2021/2022</b> <b>£'000</b>	<b>2022/2023</b> <b>£'000</b>
<b>Credited to Taxation and Non Specific Grant Income</b>		
S.31 Grants & Contributions (supporting the NDR regime)	-2,817	-4,063
Revenue Support Grant	-23	-24
Lower Tier Service Grant	-932	-1,308
New Homes Bonus Grant	-2,509	-1,633
Other Grants	-148	-185
Covid Support Grants - Emergency funding for LA spending Pressures	-644	0
	<u>-7,073</u>	<u>-7,213</u>
<b>Capital Grants</b>		
Disabled Facilities Grants	-456	-800
Ashchurch Bridge - as per Homes England	-178	-792
Other Capital Grants	0	-487
	<u>-634</u>	<u>-2,079</u>
<b>Total</b>	<u><b>-7,707</b></u>	<u><b>-9,292</b></u>

**Grants Credited to Services**

	<b>2021/2022</b>	<b>2022/2023</b>
	<b>£'000</b>	<b>£'000</b>
COVID-19 Business Grants -Additional Restrictions Support Grant	-947	0
Council tax rebate grant	0	-152
Local Taxation Administration Grants	-88	-209
Planning Related Grants	-150	-360
Garden Towns	-545	-1,500
Homelessness Grants	-321	-250
Self-isolation payments funding	-119	0
Housing Benefit Administration & Associated Grants	-169	-171
Housing Benefit Grant	-11,686	-11,000
Discretionary Housing Payments Subsidy	-27	-67
England Sports Council Covid National Leisure Recovery Fund	-12	0
Police and Crime Commissioner Elections	-87	0
Gloucestershire County Council Elections	-76	0
Other Government Grants	-1,206	-993

**Contributions Credited to Services**

Joint Core Strategy - Contributions from Cheltenham Borough Council and Gloucester City Council	-180	-150
Other Contributions from Other bodies	-25	-289
Contributions in relation to S.106 agreements	-1,184	-2,309
Joint Core Strategy other Contribution	-1,000	0
<b>Total</b>	<b>-17,822</b>	<b>-17,450</b>

**Agency Grants - not credited to services**

Council tax rebate grant	0	-4,602
Restart COVID business grants	-4,254	0
Omicron COVID business grants	-966	0
Homelessness Grant	0	-293
Energy Bills Support Scheme Grant	0	-686
Other Government Grants	0	-224
	<b>-5,220</b>	<b>-5,805</b>

**Grand Total**

<b>-30,749</b>	<b>-32,547</b>
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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**

	<b>2021/2022</b>	<b>2022/2023</b>
	<b>£'000</b>	<b>£'000</b>
<b>Grant receipts in advance (revenue grants)</b>		
Council tax rebate grant	4,754	0

## **31. 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 30.

### **Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2022/2023 is shown in Note 27. 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.

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 £2.02m for both grants and services to Gloucestershire County Council. 4 Borough Council members also declared a relationship with the County Council during 2022/2023.

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 2022/2023.

		<b>No. of Members</b>	<b>Payments other than precepts £'000</b>
Parish Councils:	Bishops Cleeve	1	399
	Brockworth	4	136
	Churchdown	4	0
	Hawling	1	0
	Highnam	1	41
	Hucclecote	1	0
	Innsworth	1	0
	Northway	2	15
	Shurdington	1	0
	Sudeley	1	0
	Tewkesbury	4	9
	Wheatpieces	1	0
	Winchcombe	3	86
	Woodmancote	1	3

### 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 Executive Director: Resources

<b>Related Party</b>	<b>No. of Members</b>	<b>Payments 2022/2023 £'000</b>
Brockworth Link	2	16
Churchdown Community Association	1	1
Churchdown Village Junior School	1	0
Cleeve Common Board of Conservators	2	0
Community Connexions	1	0
Cotswold AONB (Cotswold Conservation Board)	2	5
Gloucestershire Airport	1	0
Horsford Trust	6	0
Northway Youth Club	1	0
Roses Theatre	2	1
Tewkesbury Nature Reserve	1	1
Ubico Ltd	1	5,728

### Chief Executive

Tewkesbury Borough Council is a shareholder of UBICO Ltd. The Chief Executive represents the Council's interests in the company, but has no personal relation with the entity. the Council made payments of £5.7M to UBICO Ltd for contract services during 2022/2023.

## 32. 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.

	2021/2022 £'000	2022/2023 £'000
<b>Opening Capital Financing Requirement</b>	<b>55,354</b>	<b>54,472</b>
<b>Capital Investment</b>		
Property Plant & Equipment	654	2,026
Investment Asset	0	0
Intangible assets	5	0
Revenue Expenditure Funded from Capital Under Statute	621	748
	<u>1,280</u>	<u>2,774</u>
<b>Sources of finance</b>		
Capital receipts	-318	-162
Government grants and other contributions	-768	-1,766
<b>Sums set aside from revenue:</b>		
Direct Revenue Contributions	-194	-846
Minimum Revenue Provision	-882	927
	<u>-2,162</u>	<u>-1,847</u>
<b>Closing Capital Financing Requirement</b>	<b><u>54,472</u></b>	<b><u>55,398</u></b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrowing (unsupported by Government financial assistance)	-882	926
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b><u>-882</u></b>	<b><u>926</u></b>

### 33. 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:

	<b>2021/2022</b> <b>£'000</b>	<b>2022/2023</b> <b>£'000</b>
Not later than one year	50	13
Later than one year and not later than five years	13	0
	<u><b>63</b></u>	<u><b>13</b></u>

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

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

	<b>2021/2022</b> <b>£'000</b>	<b>2022/2023</b> <b>£'000</b>
Minimum Lease Payments	59	52
	<u><b>59</b></u>	<u><b>52</b></u>

#### The Council as lessor

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

- For the provision of community services such as sports facilities, recreational, 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:

	<b>2021/2022</b> <b>£'000</b>	<b>2022/2023</b> <b>£'000</b>
Not later than one year	3,313	3,608
Later than one year and not later than five years	11,260	8,349
Later than five years	9,336	7,996
	<b><u>23,909</u></b>	<b><u>19,953</u></b>

As at 31st March 2023 all break clauses have been reflected in future lease payments. We have taken a prudent approach whereas we will not receive any lease payments after this date.

We have entered into two new lease agreements for two investments properties. This generates income of £239k in the first year, £809k years 1-4. Unit E1 in The Chase has been vacant until September 2022 which reduced income by £64k. 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:

	<b>2021/2022</b> <b>£'000</b>	<b>2022/2023</b> <b>£'000</b>
Contingent Rents	22	0



## 34. Defined Benefit Pension Schemes

### 34.1 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.

### 34.2 Transactions relating to Post-employment Benefits

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

<b>a). Comprehensive Income and Expenditure Statement</b>	<b>2021/2022</b>	<b>2022/2023</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cost of Services:</b>		
- Current service cost	3,534	3,478
- Past service cost	3	0
<b>Financing and Investment Income and Expenditure</b>		
- Net interest expense	745	766
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>4,282</b>	<b>4,244</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
- Return on plan assets (excluding the amount included in the net interest expense)	-3,273	3,234
- Actuarial gains and losses arising on changes in demographic assumptions	-472	-1,754
- Actuarial gains and losses arising on changes in financial assumptions	-6,824	-36,604
- Other	183	7,854
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>-6,104</b>	<b>-27,270</b>

<b>b). Movement in Reserves Statement</b>	<b>2021/2022</b>	<b>2022/2023</b>
	<b>£'000</b>	<b>£'000</b>
- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	-4,282	-4,244
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
- Employer's contributions payable to scheme	2,835	2,767

### **34.3 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:

	<b>2021/2022</b>	<b>2022/2023</b>
	<b>£'000</b>	<b>£'000</b>
Present value of the defined benefit obligation	98,910	72,104
Fair value of plan assets	-70,875	-69,862
<b>Net liability arising from defined benefit obligation</b>	<b><u>28,035</u></b>	<b><u>2,242</u></b>

### **34.4 Reconciliation of the Movements in Fair Value of the Scheme Assets:**

	<b>2021/2022</b>	<b>2022/2023</b>
	<b>£'000</b>	<b>£'000</b>
<b>Opening fair value of scheme assets at 1 April</b>	<b>65,465</b>	<b>70,875</b>
Interest income	1,317	1,921
Remeasurement gain/(loss):		
- The return on plan assets, excluding the amount included	3,273	-3,234
- Other (if applicable)	0	-316
Contributions from employer	2,765	2,694
Contributions from employees into the scheme	451	509
Benefits paid	-2,396	-2,587
<b>Closing fair value of scheme assets at 31 March</b>	<b><u>70,875</u></b>	<b><u>69,862</u></b>

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

	2021/2022 £'000	2022/2023 £'000
<b>Opening balance at 1 April</b>	<b>102,439</b>	<b>98,910</b>
Current service cost	3,534	3,478
Effect of Settlements	0	0
Interest cost	2,062	2,687
Contributions from scheme participants	451	509
Remeasurement gain/(loss):	0	0
- Actuarial gains/losses arising from changes in demographic assumptions	-472	-1,754
- Actuarial gains/losses arising from changes in financial assumptions	-6,824	-36,604
- Other	183	7,538
Past Service Cost	3	0
Benefits paid	-2,466	-2,660
<b>Closing balance at 31 March</b>	<b><u>98,910</u></b>	<b><u>72,104</u></b>

### 34.6 Local Government Pension Scheme assets comprised:

Asset category	Period Ended 31 March 2022				Period Ended 31 March 2023			
	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	0	0	0	0%	0	0	0	0%
Private Equity	0	773	773	1%	0	1,330	1,330	2%
Real Estate	2,951	2,550	5,501	8%	2,450	3,438	5,888	8%
Investment Funds and Unit Trusts	4,527	59,131	63,658	90%	4,467	57,509	61,976	89%
Derivatives	0	0	0	0%	0	0	0	0%
Cash and Cash Equivalents	944	0	944	1%	669	0	669	1%
<b>Totals</b>	<b>8,422</b>	<b>62,454</b>	<b>70,876</b>	<b>100%</b>	<b>7,586</b>	<b>62,277</b>	<b>69,863</b>	<b>100%</b>

### 34.7 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 2022. The next formal valuation will be as at 31 March 2025.

The significant assumptions used by the actuary have been:

	2021/2022	2022/2023
<b>Indicative default assumptions</b>		
Duration category		
Short	2.20%	3.00%
Medium	2.25%	2.95%
Long	2.25%	2.95%
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners:		
• Men	21.7	21.9
• Women	24.1	24.5
Longevity at 65 for future pensioners:		
• Men	22.6	22.8
• Women	25.8	26.2
<b>Rate of increase in salaries</b>	3.5%	3.45%
<b>Rate of increase in pensions</b>	3.2%	2.95%
<b>Rate for discounting scheme liabilities</b>	2.7%	4.75%

### 34.8 Commutation

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits.

### 34.9 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 2023	Approx. % increase to Employer Liability	Approx. monetary amount (£'000)
0.1% decrease in Real Discount Rate	2%	1,235
1 year increase in member life expectancy	4%	2,884
0.1% increase in the Salary Increase Rate	0%	151
0.1% increase in the Pension Increase Rate	2%	1,102

### 34.10 Impact on the Council's cash flows

The objectives of the scheme are to keep employer's 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 2025, with a reducing 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 expects to pay £2.95m contributions to the scheme in 2023/24.

The weighted average duration of the defined benefit obligation for scheme members is 18 years, 2022/23 (20 years 2021/2022).

### 35. Contingent Assets & Liabilities

#### 35.1 Contingent Assets

The Council have two contingent assets this financial year. Morrisons have been ordered to pay the Council prosecution and legal costs and this amounts to £359k. As Morrisons have appealed, the income cannot be recognised in the income and expenditure statement as it's not guaranteed, it's dependent upon outcome of the appeal. The second contingent asset is regarding the planning related local government ombudsman case (piffs elm ltd) which has been determined by the court of appeal. the Council have won the case and have been awarded its legal costs which amount to £70k.

#### 35.2 Contingent Liabilities

There are no identified contingent liabilities in 2022/2023.

### Note 36. 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 Department for Levelling Up, Housing and Communities. 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 the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.**
- **Liquidity risk - The possibility that the Council might not have the cash available to make contracted payments on time.**
- **Market risk -The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.**

#### Ω Credit Risk: Overview

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

<b>Exposure Category</b>	<b>31.3.2022 £000s</b>	<b>31.3.2023 £000s</b>
Treasury investments	32,586	29,877
Trade receivables	206	382
<b>Total Credit Risk Exposure</b>	<b>32,792</b>	<b>30,259</b>

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

132 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	31.3.2022		31.3.2023	
	Long-term £000s	Short-term £000s	Long-term £000s	Short-term £000s
AAA	0	5,500	0	0
A	1,000	0	0	0
A-	0	0	2,000	0
Unrated local authorities	0	10,000	0	18,000
<b>Total</b>	<b>1,000</b>	<b>15,500</b>	<b>2,000</b>	<b>18,000</b>
Credit risk not applicable *	9,586	6,500	8,427	1,450
<b>Total Investments</b>	<b>10,586</b>	<b>22,000</b>	<b>10,427</b>	<b>19,450</b>

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 112% (2022: 67%) 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 2023, £0 (2022: £0) of loss allowances related to treasury investments.

At 31 March 2023 the 12 month expected loss allowance estimate for the loan portfolio is calculated to be £1,399 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.

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	<b>Loss Allowance Calculation</b>	<b>31st March 2022</b>	<b>31st March 2023</b>
	<b>%</b>	<b>£'000</b>	<b>£'000</b>
One to three months	5	48	7
Three to six months	10	35	9
Six Months to one year	15	25	202
More than one year	>20	98	164
<b>TOTAL</b>		<b>206</b>	<b>382</b>

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.



## 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 Council holds £22.7m (2022: £25.6m) of liquid financial assets that can be withdrawn or sold at short notice if required to meet cash outflows on financial liabilities.

The maturity analysis of financial liabilities is as follows, shown both as discounted (principal plus accrued interest to date) and undiscounted (principal plus future interest payments) figures.

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<b>31.03.2023</b>	<b>&lt; 1 yr</b>	<b>1-2 yrs</b>	<b>2-5 yrs</b>	<b>5-10 yrs</b>	<b>10-20 yrs</b>	<b>20-40 yrs</b>	<b>&gt; 40 yrs</b>	<b>TOTAL</b>
<b>Discounted</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Borrowing	10,732	533	1,600	2,667	1,000	14,000	0	30,532
Trade payables	1,494	0	0	0	0	0	0	1,494
<b>Financial liabilities</b>	<b>12,226</b>	<b>533</b>	<b>1,600</b>	<b>2,667</b>	<b>1,000</b>	<b>14,000</b>	<b>0</b>	<b>32,026</b>
Liquid financial assets	22,700	2,101	135	25	0	0	0	24,961
<b>Net liquidity risk</b>	<b>-10,474</b>	<b>-1,568</b>	<b>1,465</b>	<b>2,642</b>	<b>1,000</b>	<b>14,000</b>	<b>0</b>	<b>7,065</b>
<b>31.03.2022</b>	<b>&lt; 1 yr</b>	<b>1-2 yrs</b>	<b>2-5 yrs</b>	<b>5-10 yrs</b>	<b>10-20 yrs</b>	<b>20-40 yrs</b>	<b>&gt; 40 yrs</b>	<b>TOTAL</b>
<b>Discounted</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Borrowing	13,719	533	1,600	2,667	1,533	14,000	0	34,052
Trade payables	877	0	0	0	0	0	0	877
<b>Financial liabilities</b>	<b>14,596</b>	<b>533</b>	<b>1,600</b>	<b>2,667</b>	<b>1,533</b>	<b>14,000</b>	<b>0</b>	<b>34,929</b>
Liquid financial assets	25,564	1,073	135	70	0	0	0	26,842
<b>Net liquidity risk</b>	<b>-10,968</b>	<b>-540</b>	<b>1,465</b>	<b>2,597</b>	<b>1,533</b>	<b>14,000</b>	<b>0</b>	<b>8,087</b>

31.03.2023	< 1 yr	1-2 yrs	2-5 yrs	5-10 yrs	10-20 yrs	20-40 yrs	> 40 yrs	TOTAL
<b>Undiscounted</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Borrowing	11,148	942	2,784	4,499	4,345	19,155	0	42,873
Trade payables	1,494	0	0	0	0	0	0	1,494
<b>Financial liabilities</b>	<b>12,642</b>	<b>942</b>	<b>2,784</b>	<b>4,499</b>	<b>4,345</b>	<b>19,155</b>	<b>0</b>	<b>44,367</b>
Liquid financial assets	22,909	2,256	135	25	0	0	0	25,325
<b>Net liquidity risk</b>	<b>-10,267</b>	<b>-1,314</b>	<b>2,649</b>	<b>4,474</b>	<b>4,345</b>	<b>19,155</b>	<b>0</b>	<b>19,042</b>
31.03.2022	< 1 yr	1-2 yrs	2-5 yrs	5-10 yrs	10-20 yrs	20-40 yrs	> 40 yrs	TOTAL
<b>Undiscounted</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Borrowing	14,142	950	2,806	4,534	4,898	19,488	0	46,817
Trade payables	877	0	0	0	0	0	0	877
<b>Financial liabilities</b>	<b>15,019</b>	<b>950</b>	<b>2,806</b>	<b>4,534</b>	<b>4,898</b>	<b>19,488</b>	<b>0</b>	<b>47,694</b>
Liquid financial assets	25,622	1,091	135	70	0	0	0	26,918
<b>Net liquidity risk</b>	<b>-10,603</b>	<b>-141</b>	<b>2,671</b>	<b>4,464</b>	<b>4,898</b>	<b>19,488</b>	<b>0</b>	<b>20,776</b>

## **Market Risks: Interest rate risk**

The Council is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments.

- 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 or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

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

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

As the Council only has fixed rate investments 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 23 would be an additional gain of £43k (Investments £125k, and borrowing -£82k)

## **Market Risks: Price Risk**

The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk as described above.

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 2023 would result in a £174k (2022: £206k) 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 2023 would result in a £84k (2022: £108k) 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 2023 would result in a £27k (2022: 28k) 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

## **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.

#### 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.

	<b>2021/2022</b> <b>£'000</b>	<b>2022/2023</b> <b>£'000</b>
Income	10	17
Expenditure	-14	-21
	<u>-4</u>	<u>-4</u>

Reserve held on behalf of the Trust is carried in our balance sheet. In 2022/2023 it was £66k (£71k in 2021/2022).

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

2021/2022			Note	2022/2023			
£'000 Business rates	£'000 Council Tax	£'000 Total		£'000 Business rates	£'000 Council Tax	£'000 Total	
			<b>Income</b>				
0	67,224	<b>67,224</b>	Council Tax Receivable <i>Transfer from General Fund:</i>	CIES	0	70,889	<b>70,889</b>
			Council Tax Discounts Funded from Billing Authority General Fund	CIES	0	0	<b>0</b>
0	25	<b>25</b>					
35,742	0	<b>35,742</b>	Business Rates Receivable		37,799	0	<b>37,799</b>
0	0	<b>0</b>	from Government		0	0	<b>0</b>
			<b>Contributions Towards Previous Year's Deficit</b>				
5,813	0	<b>5,813</b>	Central Government Share		1,475	0	<b>1,475</b>
4,650	0	<b>4,650</b>	Tewkesbury Borough Council		1,180	0	<b>1,180</b>
1,163	0	<b>1,163</b>	Gloucestershire County Council		295	0	<b>295</b>
<b>47,368</b>	<b>67,249</b>	<b>114,617</b>	<b>Total Income</b>		<b>40,749</b>	<b>70,889</b>	<b>111,638</b>
			<b>Expenditure</b>				
			<b>Precepts, Demands and Shares</b>				
17,441	0	<b>17,441</b>	Central Government Share		18,294	0	<b>18,294</b>
13,952	6,822	<b>20,774</b>	Tewkesbury Borough Council		14,635	7,245	<b>21,880</b>
3,488	49,890	<b>53,378</b>	Gloucestershire County Council		3,659	51,975	<b>55,634</b>
0	9,562	<b>9,562</b>	Gloucestershire Police Authority		0	10,030	<b>10,030</b>
398	0	<b>398</b>	to Government		103	0	<b>103</b>
0	0	<b>0</b>	Contribution towards deficit		0	0	<b>0</b>
247	0	<b>247</b>	Renewable Energy Disregards		210	0	<b>210</b>
120	0	<b>120</b>	Cost of Collection Allowance		123	0	<b>123</b>
<b>35,646</b>	<b>66,274</b>	<b>101,920</b>			<b>37,024</b>	<b>69,250</b>	<b>106,274</b>
			<b>Bad and Doubtful Debts:</b>				
0	0	<b>0</b>	Write Offs		0	0	<b>0</b>
420	190	<b>610</b>	Allowance for Non Collection (Bad Debts)		-148	69	<b>-79</b>
-1,840	0	<b>-1,840</b>	Settlement against Provision		-271	0	<b>-271</b>
3,370	0	<b>3,370</b>	Change in Provision		1,641	0	<b>1,641</b>
<b>1,950</b>	<b>190</b>	<b>2,140</b>			<b>1,222</b>	<b>69</b>	<b>1,291</b>
0	240	<b>240</b>	Transfer of Collection Fund Surplus	BS	0	953	<b>953</b>
<b>37,596</b>	<b>66,704</b>	<b>104,300</b>	<b>Total Expenditure</b>		<b>38,246</b>	<b>70,272</b>	<b>108,518</b>
<b>9,772</b>	<b>545</b>	<b>10,317</b>	<b>Surplus/(Deficit)</b>		<b>2,503</b>	<b>617</b>	<b>3,120</b>
			<b>Movement on Fund</b>	BS			
-11,652	438	<b>-11,214</b>	Balance at 1st April		-1,880	983	<b>-897</b>
9,772	545	<b>10,317</b>	Surplus/(Deficit)		2,503	617	<b>3,120</b>
<b>-1,880</b>	<b>983</b>	<b>-897</b>	<b>Balance as at 31st March</b>		<b>623</b>	<b>1,600</b>	<b>2,223</b>
			<b>Allocated to:</b>				
-940	0	<b>-940</b>	Central Government		312	0	<b>312</b>
-752	101	<b>-651</b>	Tewkesbury Borough Council		249	168	<b>417</b>
-188	740	<b>552</b>	Gloucestershire County Council		62	1200	<b>1,262</b>
0	142	<b>142</b>	Gloucestershire Police Authority		0	232	<b>232</b>
<b>-1,880</b>	<b>983</b>	<b>-897</b>			<b>623</b>	<b>1,600</b>	<b>2,223</b>

## 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 2022/2023 the tax base was 35,811.22 (35,403.02 in 2021/2022). 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 2022/2023 base was calculated as follows:

Band	Number of Chargeable Dwellings	Multiplier	Band D Equivalents
A	5,470.00	6/9	3,646.67
B	5,766.50	7/9	4,485.06

C	10,730.25	8/9	9,538.00
D	5,749.75	9/9	5,749.75
E	5,138.00	11/9	6,279.78
F	3,332.00	13/9	4,812.89
G	1,875.00	15/9	3,125.00
H	175.25	18/9	350.50
<b>Total Band D Equivalents</b>			37,987.65
<b>Growth Adjustment</b>			-1,882.65
Collection Rate			98.00%
<b>Chargeable Band D Equivalents</b>			35,382.90
Armed Forces class 'O' contributions in lieu of Council Tax			428.32
<b>Council Tax Base</b>			<b>35,811.22</b>

### 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:

	2021/2022 £'000	2022/2023 £'000
Gloucestershire County Council	49,891	51,975
Police Authority	9,561	10,030
Tewkesbury Borough Council	4,580	4,812
Total for Parishes	2,242	2,433
	<b>66,274</b>	<b>69,250</b>

The Council set an average council tax level for 2022/2023 at Band D of £1,933.75, including Parish precepts (1,871.99 in 2021/2022). This is broken down as follows:

	2021/2022 £	2022/2023 £
Gloucestershire County Council	1,409.22	1,451.36
Police Authority	270.08	280.08
Tewkesbury Borough Council	129.36	134.36
Average Parish	63.33	67.95
	<b>1,871.99</b>	<b>1,933.75</b>

The Band D tax level for Parish budgets ranged from nil to £142.13

### 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 £93,818,673 at 31 March 2023 (£93,111,271 at 31 March 2022), 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 2022/2023 this was set at 49.9p (2021/2022 49.9p), with the standard rate in the pound being 51.2p (2021/2022 51.2p) for the year.

## DRAFT

# 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 2023, 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 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2023 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 2022/23; 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 Executive Director of Resources' 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.

In our evaluation of the Executive Director of Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 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 2022) 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.

In auditing the financial statements, we have concluded that the Executive Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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.

Our responsibilities and the responsibilities of the Executive Director of Resources with respect to going concern are described in the relevant sections of this report.

### **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. The Executive Director of Resources is responsible for the other information. 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.

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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office 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, 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.

### **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 and the Executive Director of Resources**

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director of Resources. The Executive Director of Resources 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 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Resources 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 Executive Director of Resources 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 they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

## **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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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 (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 1972, and the Local Government Act 2003).

In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to [include relevant details for your audit, e.g. health and safety, employee matters, and data protection].

We enquired of management and the Audit and Governance Committee 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 management, 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 management's 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 of the normal course of business and significant management estimates, in particular those relating to land and buildings valuations (including valuations of investment property) 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, investment properties, and defined benefit pensions liability valuations; and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

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.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including [add details of risks]. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

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:
  - o the provisions of the applicable legislation
  - o guidance issued by CIPFA/LASAAC and SOLACE
  - o 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.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **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 2023.

On 24 March 2022 we identified one significant weakness in the Authority's governance arrangements. During 2020-21 the Council's internal audit function was redeployed to their coronavirus business cell to support the payment of covid-19 grants to businesses and individuals. As a result of this, no internal audit work was undertaken during 2020-21 and the Head of Internal Audit subsequently provided a limitation of scope opinion on the adequacy of the Council's governance, risk management and control environment. We recommended that the Council support its Head of Internal Audit to plan to obtain sufficient assurance to support the annual Head of Internal Audit opinion for 2021/22, taking into account both internal audit work and other sources of assurance and being clearly risk based. We also recommended that the Head of Internal Audit, the leadership team and the audit committee should review and discuss internal audit capacity where there are concerns and develop an action plan to mitigate the risk.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet completed for 2021/22 or 2022/23 and so we are unable to conclude whether the significant weakness reported on 24 March 2022 has been addressed. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report which will be a combined report for both 2021/22 and 2022/23. 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 2023.

### **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.

### **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 January 2023. 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 2023 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
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2023.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

**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 44 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.

[TO BE SIGNED]

Julie Masci, Key Audit Partner

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

Bristol

xx September 2023

### **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 31<sup>st</sup> March, but not yet paid for.

### **CIPFA**

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

### **Contingent Asset**

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

### **Contingent Liability**

A contingent liability is either:

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



**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.

**Control**

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

**Current Service Cost**

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

**Depreciation**

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

**Dominant Influence**

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

**Entity**

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

**External Audit**

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

**Fair Value**

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

**Financial Regulations**

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

**Financial Year**

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

**General Fund (GF)**

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

**Government Guidelines**

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

**Gross Expenditure**

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

**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.

**Net interest on the net defined benefit liability**

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.

**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 31<sup>st</sup> March, a reserve can be set up to carry the money forward to the next year when the money can be used for the specific purpose for which it was intended. When expenditure takes place the reserve is credited to the relevant year after the calculation of the Net Cost of Services.

**Retrospective Application**

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

**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.

**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

<b>Report to:</b>	Audit and Governance Committee
<b>Date of Meeting:</b>	27 September 2023
<b>Subject:</b>	Annual Governance Statement 2022/23
<b>Report of:</b>	Director: Corporate Resources
<b>Head of Service/Director:</b>	Executive Director: Resources
<b>Lead Member:</b>	Leader of the Council
<b>Number of Appendices:</b>	One

**Executive Summary:**

Every Council must ensure that its business is conducted within the law and proper standards, public money is safeguarded and used economically, efficiently and effectively. Governance of the Council is reviewed regularly by the Corporate Governance Group and is formally reported through an Annual Governance Statement by that Group. The Annual Governance Statement (AGS) is produced in accordance with CIPFA/SOLACE guidance ('Delivering Good Governance in Local Government: Framework 2016')

**Recommendation:**

**To APPROVE the Annual Governance Statement 2022/23.**

**Financial Implications:**

None arising directly from the report.

**Legal Implications:**

None arising directly from the report.

**Environmental and Sustainability Implications:**

None arising directly from the report.

**Resource Implications (including impact on equalities):**

None arising directly from the report.

**Safeguarding Implications:**

None arising directly from the report.

**Impact on the Customer:**

None arising directly from the report.

## **1.0 INTRODUCTION**

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

**1.2** The Accounts and Audit Regulations 2015 require an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts (England). Regulation 6 (1) (b) of the Accounts and Audit Regulations 2015 require that for a local authority, the statement is an Annual Governance Statement. The Annual Governance Statement should be approved at the same time as, and certainly no later than, the Statement of Accounts. The Annual Governance Statement has been developed in accordance with 'Delivering Good Governance in Local Government: Framework (2016)'. The proposed Annual Governance Statement for 2022/23 can be found at Appendix 1.

**1.3** The Good Governance Framework is based on seven principles of corporate governance which are set out below and which are underpinned by supporting principles and requirements.

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

## **2.0 REVIEWING THE GOVERNANCE ARRANGEMENTS**

**2.1** The review is undertaken by the Corporate Governance Group and is based on the sources of assurance that are demonstrated in the documented governance framework diagram, illustrated within the Annual Governance Statement. The diagram succinctly demonstrates the wide coverage of the Council's governance framework.

**2.2** The statement will be subject to review by the Council's external auditors to give assurance that it has been produced in compliance with guidance and is a fair reflection of the Council's governance arrangements.

### **3.0 TEWKESBURY BOROUGH COUNCIL'S ANNUAL GOVERNANCE STATEMENT 2022/23**

**3.1** The draft Annual Governance Statement for 2022/23 is attached at Appendix 1. 'Significant' issues are included within the table towards the end of the document with indicative timescales and assigned responsibility for implementation. Progress on their implementation will be reported to each Audit and Governance Committee and where necessary, internal audit can provide assurance of their implementation.

### **4.0 CONSULTATION**

**4.1** Corporate Governance Group

### **5.0 ASSOCIATED RISKS**

**5.1** If the Council does not produce an Annual Governance Statement then it is not compliant with legislation.

### **6.0 MONITORING**

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

### **7.0 RELEVANT COUNCIL PLAN PRIORITIES/COUNCIL POLICIES/STRATEGIES**

**7.1** None directly linked.

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

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**Appendices:** Appendix 1 – Draft Annual Governance Statement 2022/23

# Annual governance statement

2022-2023





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## Post Covid-19

At the point of writing last year's statement, it was remiss not to mention other emerging factors that placed significant demand upon the council's resource. For example, the delivery in the first six months of the year of the government's 'Council Tax Energy Rebate Scheme'. Similar to the Covid-19 response a separate cell was set up involving officers from Revenues and Benefits, Finance, Customer Services and Communications. Over 30,000 payments were made to our residents through the core scheme with up to a further 1,000 residents being paid through the discretionary scheme. In addition, there is the ongoing delivery of the government's 'Alternative Fuel Grant' – over 500 payments have been made totalling in excess of £140,000.

In addition, resources have also been deployed to support the 'Homes For Ukraine Scheme'. A similar cell approach has been formed involving colleagues from Revenues and Benefits, Environmental Health and Housing, Finance, Customer Services and Communications. To date, the cell has facilitated the onboarding of nearly 70 hosts and processed over 770 payments totalling £240,000.

Impacting upon the council during the year was the 'Cost of Living Support'. This has directly impacted services, individual residents, communities, business and our own staff and Members. The rising costs of energy, food, mortgages and other essentials have put many households at greater risk of both immediate hardship and reduced opportunity and wellbeing. The financial impact of the rise in inflation upon the council's finances is significant.

Inflationary pressures will impact all aspects of the council's business from expenditure on providing services to reductions in income and on to the viability of future capital and revenue schemes which support our ambitions and priorities. In short, it will cost more to provide the same level of services and, without additional government support, which is considered highly unlikely, it will mean the council will need to recognise an increased gap between the resources available and the cost of services and will need to take the necessary steps to close that gap.

A report was taken to the council's Executive Committee on 5 October 2022 emphasising this impact and the council's response, particularly in relation to our residents and communities. The impact upon the council was also added to the council's corporate risk register. Quarterly financial reports have continued to be presented to Members during the year to ensure the Council's budgetary position is transparent.

## The purpose of the governance framework

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

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

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

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

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

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

- Codes of conduct that define standards of behaviour for members and staff and policies such as whistleblowing and anti-fraud and corruption and these codes are communicated effectively.
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.
- Documenting a commitment to openness and action in the public interest.
- Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.
- Translating the vision into courses of action for the authority, its partnerships and collaborations.
- Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.
- Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements.
- Management arrangements that conform with the governance arrangement of CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015) and the CIPFA Statement on the Role of the Head of Internal Audit (2019).
- Ensuring effective arrangement are in place for the discharge of the monitoring officer function and head of paid service function.
- Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability.

- Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained.
- Ensuring an effective scrutiny function is in place.
- Undertaking the core functions of an audit committee.
- Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.

## The council's governance framework

The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. A high level review is undertaken by the Corporate Governance Group (CGG) and is based on the sources of assurance that are demonstrated within the diagram in appendix 1 – the council's governance framework. The review of effectiveness is mainly informed by the work of senior management who have responsibility for the development and maintenance of the governance environment, internal and external audit reports plus third party assurance where relevant.

As reported previously, the council's strong footing across a number of areas saw a successful recovery from the pandemic and overall, the council's governance framework remained resolute. We have had to adapt and work flexibly to ensure good governance has been maintained as a result of factors such as organisational change. Although not an exhaustive list, these include the following:

- Successful recruitment of a new chief executive.
- The successful delivery of the council's COVID-19 Corporate Recovery Plan and transition back to one strategic Council Plan.
- Recent implementation of a new management structure including a new Audit and Governance team.
- Successful delivery of local elections and the induction of a new Council.
- In light of COVID-19, the review and refresh of current and key strategies such as the communication's strategy, customer care strategy, digital programme and Housing Strategy.
- The permanent deployment of new HR policies such as 'Agile Working' - in tandem with technology which supported the organisational development response to COVID-19. Moving forward, this supports the opportunities provided through hybrid working.
- Review and approval of governance related policies and strategies. For example, Data Protection policy, Management of Change policy, Counter Fraud and Anti-Corruption policy, Capability policy etc.
- The continued delivery of service-related reviews such as Development Management and Licensing (with governance related work streams).
- Project management governance has seen the delivery of significant transformational projects such as the solar canopy, planning application tracker, HR automation, Data requests and internal systems such as staff safety register and room bookings.
- Despite a backdrop of uncertainty over local government funding and a challenging economic landscape, the continued delivery of

sound financial management and financial reporting.

- The internal audit team became operational again.

The CGG then considered progress on the delivery of the significant governance issues reported within the 2021/22 AGS. These are summarised below:-

### **Community Infrastructure Levy (CIL)**

Whilst CIL is 'live', and a number of recommendations from a previous internal audit report have been implemented, for example the approval of an Infrastructure Funding Statement, the proposed governance arrangements between the three partner councils have yet to be approved. The formalisation of arrangements between partners will lead to better negotiation of CIL priorities and delivery for communities. An internal audit conducted in April 2023 confirmed arrangements have yet to be formalised. **This action remains outstanding and will be carried forward as a significant governance issue.** A very similar recommendation on formalising governance arrangements was also made within the external auditor's 2020/21 annual report.

### **Local Code of Corporate Governance**

To achieve good governance, the council should be able to demonstrate that its governance structures comply with the core and sub-principles contained within the 'Delivering good governance framework 2016'. To achieve this, the

council's local code of governance should reflect these principles. The local code therefore needs to be updated to reflect these principles. Due to priority being given to the Covid-19 recovery this has yet to be undertaken. **This action remains outstanding and will be carried forward as a significant governance issue.**

### **Effective recovery of the internal audit function**

The internal audit team became operational for the whole of 2022/23 following re-deployment to the Covid-19 Business Cell for the previous two years. The team has an approved work plan approved by the Audit and Governance Committee. This will enable the Chief Audit Executive to issue an annual opinion and should enable the external auditors to place greater assurance on the adequacy of the council's internal control environment. As part of the new management structure, a new Head of Audit and Governance role has been created to provide organisational resilience in these areas. As a result, this is no longer deemed as a significant governance issue.

### **Implementation of the CIPFA Financial Code**

The Chartered Institute of Public Finance and Accountancy (CIPFA) published the Financial Management Code (the Code) in October 2019. The Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. Each local authority must demonstrate that the requirements of the Code are being satisfied.

Originally, local authorities were required to apply the Code with effect from 1 April 2020. After further considerations of the ambition within this Code, and the wider resource challenges facing local authorities, particularly during the COVID-19 crisis, CIPFA concluded that by 31 March 2021, local authorities should be able to demonstrate that they are working towards full implementation of the Code. The first full year of compliance with the Code would therefore be 2021/22. However, due to unprecedented pressures on the Council's services caused by COVID-19, the decision was taken to delay the full implementation of the Code until 2022/23.

As a first step towards ensuring that the council meets the Code in 2022/23, the Chief Finance Officer presented a draft Assessment of Compliance to Audit and Governance Committee on 24 March 2022 with an annual update thereafter. The assessment was very positive, with a high degree of compliance in many areas.

Inevitably, the impact of Covid-19 has tested financial resilience and sustainability over the last couple of years and will continue to do so in coming years. For this reason, it is CIPFA's viewpoint the implementation of the Code remains a critical task. CIPFA further state there are clear links between the Code and the governance framework. For these reasons, **the implementation of the Code will remain as a significant governance issue as there are areas of improvement identified through the assessment.**

## Licensing Service Review

The review commenced in 2021/22 with four key work streams; digital solutions, governance, finance and human resources. The review was considered a significant governance issue for 2020/21 as the service is a key component of the council's regulatory

framework and the service had experienced long term resilience issues. Additionally, systems and processes required major improvement as they were compromising the ability of the council to deliver effectively on its statutory licensing service obligations. The purpose of the licensing function is ultimately public protection and therefore significant reputational damage could arise should the planned improvements not be made. **The on-going review will continue to be included as a significant governance issue though it is recognised excellent progress has been made to date.**

## UK Shared Prosperity Fund

During 2022/23, the UK Government announced the creation of the UK Shared Prosperity Fund (UKSPF), as part of the Levelling Up agenda. The fund aims to target funding to build pride in place, support high quality skills training, support pay, employment and productivity growth and increase life chances. The UKSPF outlines an allocation of funding for Tewkesbury Borough of £1,011,978 over a three-year period. To access these funds the council was required to develop an Investment Plan to be submitted by 1 August 2022. In light of the tight timescale, a report to Executive Committee on 6 July, recommended to prepare and submit the plan through delegated authority given to key senior officers and relevant lead members. This recommendation was approved and a plan duly submitted within timescale.

Funding is heavily weighted at the end of the three year programme (2024/25 allocation is £643,539) and the funding profile is split between revenue and capital expenditure (different % splits for each of the 3 years). Additionally, there is the

added complexity that various local partners and agencies will support delivery of the plan. The report eludes to a Local Partnership Group being set up to support delivery and that future governance arrangements will need to be agreed. **In light of the value of the fund, its profile and the necessity to ensure there is good governance this will be included as a significant governance issue.**

### **Equality and Diversity**

The review of the council's Equality, Diversity and Inclusion framework remains outstanding. It is the intention to use the Local Government Association's 'Equalities framework for Local Government (EFLG)' as the basis of an action plan to direct the review. Whilst the council is confident it complies with legislation it can always do more to make the whole agenda part of core business and actually demonstrate this compliance. **This will remain as a significant governance issue.**

### **Fraud Risk Registers**

The council has a zero tolerance attitude to fraud and corruption related activity. There are effective counter fraud arrangements in place through the work of the Counter Fraud and Enforcement Unit (CFEU) and internal audit, various policies are in place and reviewed regularly such as the counter fraud and anti-corruption policy, gifts and hospitality policy, whistleblowing policy and declaration of interests/other employment etc. The council also participates in national fraud initiatives.

Without resting on its laurels, these arrangements were to be strengthened further with the production of fraud risk registers for each service area. This was an action within the work programme of the CFEU

for 2022/23. This will include considering national and local emerging fraud risks, good practice in processes and procedure, and possible areas of risk mitigation. A service specific risk register will then be developed with overall risk scores that can be assessed, monitored and reviewed. **This work has yet to be delivered so will remain as a significant governance issue.**

In the overall conclusion of the CGG, there is an acknowledgement of responsibility for ensuring there is a sound system of governance (incorporating the system of internal control) and broadly the framework is sound and arrangements are considered to be fit for purpose. The framework is extensive, complex and given the changing environment, there will always be areas where governance can be strengthened. It would be unrealistic to expect all aspects of governance to be operating 100% effectively, 100% of the time. A further review will be undertaken by the CGG prior to submitting the AGS for final approval by the Audit and Governance Committee.

### **Emerging issues**

The CGG considered any emerging issues that should be considered for inclusion. The group were satisfied that the corporate risk register was a reasonably accurate reflection of the key risks facing the council. There is sometimes debate on whether individual risks could constitute a significant governance issue also. The CGG were keen to ensure these are simply not regurgitated into the AGS. There is equal merit in both documents being read alongside each other.



The CGG group also considered the annual audit opinion given by the chief audit executive. This was reported to Audit and Governance Committee on 19 July 2023. The assurance from the work undertaken during the year concluded that, overall, the council's governance, risk management and control environment for the areas audited is generally effective. This was on the basis that of 59 separate audit opinions issued during the year, the vast majority (55) were either reported as 'substantial' or 'reasonable' level of opinion. Of the four remaining recommendations, categorised as 'limited', only one had yet to be progressed at the time of the audit. This was related to the CIL governance which is a previously identified significant governance issue.

The CGG did however agree it would be remiss not to include within the AGS recognition of the governance improvements required to support the delivery of the Tewkesbury Garden Town programme. This was reflected within a gateway review undertaken by Cratus on three core elements of the programme and has made a series of recommendations to ensure the successful delivery of the next phase of the programme. Given the number (17) and significance of the recommendations made, in particular around governance, then for transparency **this should be included as a significant governance issue.**

Overall, in conclusion, whilst the council has a complex internal control environment, with varying nature of services, systems and processes the inclusion of the actions listed is proportionate for the size of the council. It is not a fully exhaustive list of every improvement action within the council.

**Significant governance issues**

2023-2024 Actions

Governance issue	Proposed action	Timescale	Responsible officer/group
1 Community Infrastructure Levy (CIL)	Overall governance arrangements to be formalised between partners.	March 2024	Executive Director: Place
2 Local Code of Corporate Governance.	Develop and approve a new code of governance.	June 2024	Director: Corporate Resources
3 Compliance with the CIPFA Financial Code	Deliver outstanding actions identified within the self - assessment.	March 2024	Associate Director: Finance
4 Licensing Service Review	Deliver the work streams identified within the service review project plan.	May 2024	Licensing Operations and Development Team Leader
5 UK Shared Prosperity Fund	Ensure there are sound governance arrangements in place to oversee and support delivery of the investment plan.	March 2024	Head of Service: Economic Development and Tourism
6 Equality and Diversity	Review and update the current policy and produce a supporting action plan.	December 2023	Associate Director: People, Culture, Performance Director: Corporate Resources
7 Fraud Risk Registers	Produce service specific registers for high-risk areas.	March 2024	Counter Fraud and Enforcement Manager
8 Tewkesbury Garden Town programme	Develop and embed governance arrangements for the programme.	March 2024	Executive Director: Place

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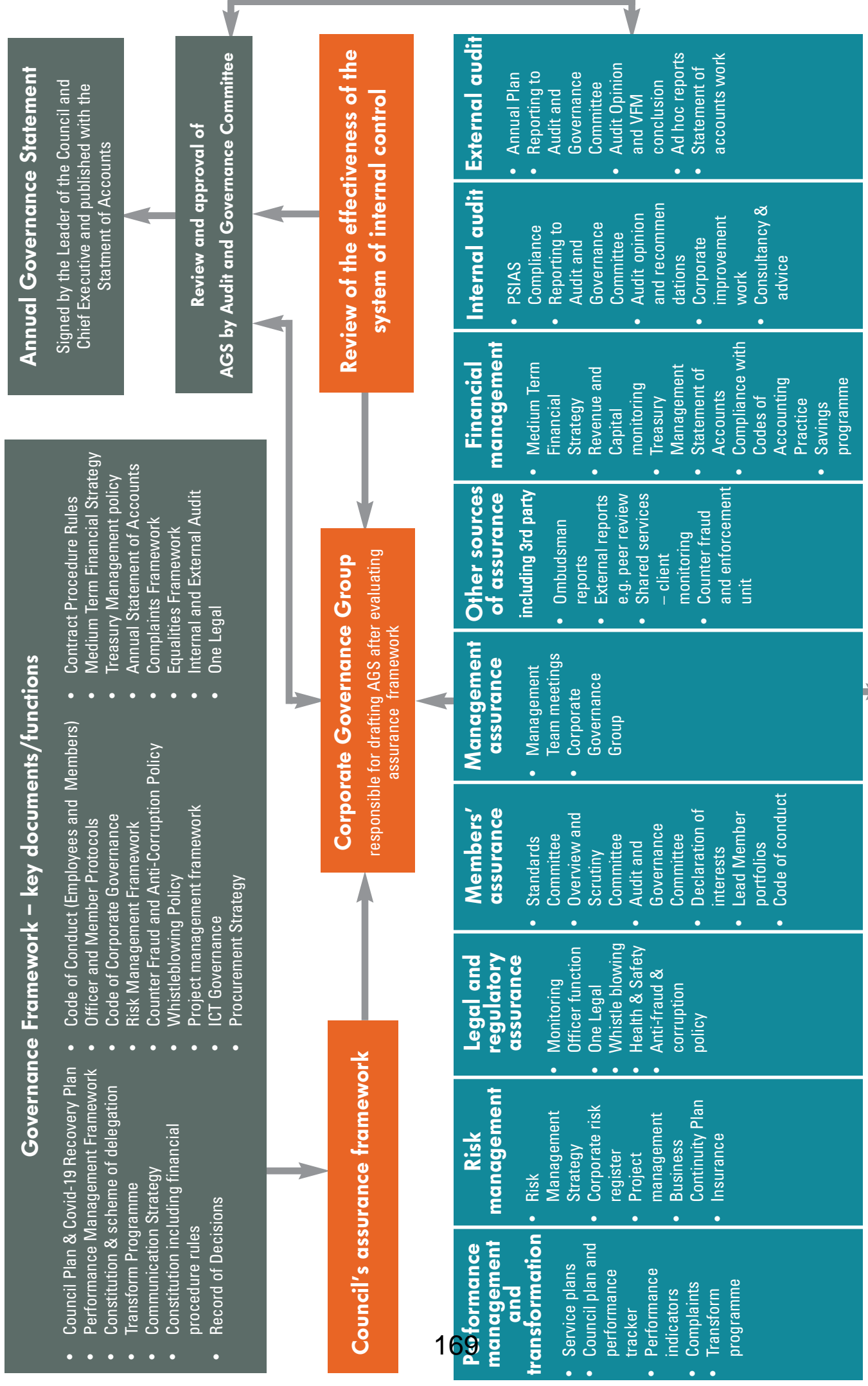
Signed on behalf of Tewkesbury Borough Council

Councillor Richard Stanley  
Leader of the Council

Date: September 2023

Alistair Cunningham  
Chief Executive

Date: September 2023



on-going assurance on adequacy and effectiveness of controls over key risks

**Alistair Cunningham**  
**Chief Executive**  
Tewkesbury Borough Council



## TEWKESBURY BOROUGH COUNCIL

<b>Report to:</b>	Audit and Governance Committee
<b>Date of Meeting:</b>	27 September 2023
<b>Subject:</b>	Corporate Risk Register
<b>Report of:</b>	Head of Audit and Governance
<b>Head of Service/Director:</b>	Director: Corporate Resources
<b>Lead Member:</b>	Lead Member for Corporate Governance
<b>Number of Appendices:</b>	One

**Executive Summary:**

The Council has a risk management framework and this is set out in the Council's Risk Management Strategy. Risk management is an intrinsic element of good, effective management and should not be seen as a 'bolt on'. The strategy sets out the risk management approach around the identification, analysis, prioritisation and management of risk. A key element of the strategy is capturing key corporate risks through a corporate risk register. This register is presented at each Audit and Governance Committee. The latest register can be found at Appendix 1.

**Recommendation:**

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

**Financial Implications:**

None arising directly from this report.

**Legal Implications:**

None arising directly from this report.

**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 to give assurance to stakeholders that risks are being effectively managed.

## **1.0 INTRODUCTION**

**1.1** The Council's Risk Management Strategy formalises the Council's risk management arrangements and sets out the risk management approach around the identification, analysis, prioritisation and management of risk. A key element of the strategy is the maintenance of a corporate risk register that captures the Council's key corporate risks. The register is a high-level document to record in a proportionate manner the key risks facing the Council, their risk score and high-level management controls that are in place to manage individual risks. The scoring matrix within the strategy provides guidance on scoring those risks. The latest register can be found at Appendix 1.

## **2.0 CORPORATE RISK REGISTER**

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

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

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

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

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

**2.3** The risk register template includes a 'comments' box below each risk. This provides opportunity for each risk owner to provide an update on the status of that risk. For example, if the risk score has been downgraded as a result of effective control action being implemented or, alternatively, if the risk score has increased. An increase could happen through a number of scenarios, for example if an internal audit concluded that a mitigating control is not effective.

### 3.0 KEY UPDATES ON THE REGISTER

Summarised below are key updates arising since the register was last presented at Committee on 19 July 2023.

Risk identified	Key update
Ref 2- Protection of the ICT network	New vulnerability management system is now fully operational and will allow for swifter identification and management of required remediation work. Phishing exercises have also taken place which has identified further training needs.
Ref 4 – GDPR compliance	A new Information Governance Officer commenced employment on 18 September and will proactively take forward the GDPR action plan. This includes a couple of significant projects, particularly a project around data retention.
Ref 7- Garden Town	A report detailing the recommendations from the gateway review will be presented to Council on 26 September 2023. The risk description and score will be reviewed following the Council decision.
Ref 9 - Climate change	Work has commenced on the replacement of the heating system at the Public Service Centre, this is expected to be completed by March 2024. Executive Committee also recently approved a new and permanent Climate Change Officer role within the Council to support the existing resource.
Ref 13 - Development Management Review	The new Associate Director: Planning has started and is now overseeing the review. A bid has recently been submitted for the government launched Skills and Capacity Backlog Fund to help continue the work being carried out.

- 3.1. The risk register is reviewed by the Corporate Governance Group. The group consists of senior officers and the recent meeting considered if there were any emerging risks that should be included on the register. A discussion was held around planning appeals as the related Key Performance Indicator was reviewed at the recent Overview and Scrutiny Committee; both the outturn figure reported for quarter one and the financial cost to the Council of the appeals process gave the Committee significant concern. There is both a reputational, i.e. special measures, and financial risk to the Council as a result. At the time of writing this report, the Corporate Governance Group has requested the relevant officers to review and consider this risk for inclusion.

### 4.0 CONSULTATION

4.1 None

### 5.0 ASSOCIATED RISKS

- 5.1 If the Council does not have in place a corporate risk register then it cannot demonstrate that corporate risks are formally considered, scored and managed.



**6.0 MONITORING**

**6.1** The risk register is presented at Leadership Team on a regular basis and further reviewed by the Corporate Governance Group.

**7.0 RELEVANT COUNCIL PLAN PRIORITIES/COUNCIL POLICIES/STRATEGIES**

**7.1** A number of the risks relate directly to priorities within the Council Plan and others, such as governance related risks underly the delivery of those priorities.

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**Background Papers:** Previous update was presented at Audit and Governance Committee on 19 July 2023.

**Contact Officer:** Director: Corporate Resources  
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**Appendices:** Appendix 1 – Corporate Risk Register

## Appendix 1 - Tewkesbury Borough Council: Corporate Risk Register (updated September 2023)

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

175

Risk ref	Corporate risk identified	Impact assessment / comment	Impact Score (1-5)	Likelihood Score (1-5)	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk mgt action points	Target risk score
1	The uncertainty and volatility of council funding streams, including Business Rates Retention, New Homes Bonus and needs based funding, means that long term business planning is difficult and subject to significant change.	<p>Withdrawal of New Homes Bonus that may or may not be replaced by an alternative scheme leading to potential funding gap.</p> <p>Uncertainty around business rates retention due to planned reset of the system being delayed – does not support sustainable financial planning.</p> <p>Although the Spending Review 2021 set the financial envelope for a three-year period, settlements continue to be on a one-year basis. As with business rates, the fair Funding Review has been delayed until at least 2025/26 leaving councils uncertain as to how funding will be distributed to individual authorities over the medium term.</p>	5	5	25	<p>Council does not use 100% of NHB to support base budget.</p> <p>Accumulated provisions within existing retained rates scheme.</p> <p>Development of other funding streams such as Council Tax and Commercial properties.</p> <p>Revised MTFS highlighting size of impact and potential measures to bridge the deficit.</p> <p>Significant MTFS reserve.</p>	Executive Director: Resources	25	<p>Further development of alternative income streams to reduce dependence on these funding streams.</p> <p>Detailed planning around major cost saving areas identified in the MTFS.</p> <p>Government clarification on future of local government finance including:</p> <ul style="list-style-type: none"> <li>Spending Review.</li> <li>Fair Funding Review.</li> <li>Business rates reform</li> <li>Future of NHB and whether an alternative scheme will be brought forward.</li> </ul>	9

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<p>Comments:                      The 2023/24 Local Government Settlement was again delivered as a one-year settlement with the 24/25 Settlement also likely to be on this basis given that it is the final year of the Spending Review and an impending general election. Whilst it has been confirmed that both Funding Reform and the Business Rates reset have been pushed back until 2025/26 at the earliest, they remain as a distinct possibility within the medium term. There is still no clarity on the future of New Homes Bonus although the government has promised to engage with the sector in 2023. Therefore, there remains considerable uncertainty with local government funding. <b>A medium term financial projection is currently being produced, based on the limited information we have and forecasting a range of scenarios, for sharing with Transform Working Group before coming to Council in the Winter.</b></p>										
176 2	If the ICT network is not adequately protected then there is a risk it is susceptible to a cyber-security attack leading to loss of systems and significant downtime.	<p>Phishing attacks/Spear phishing – untargeted mass emails sent to many recipients to acquire sensitive information/targeted emails designed to look like it has been sent from a trusted person.</p> <p>Denial of service (DoS) – hacker floods a website with more traffic than it can handle. Legitimate users are denied access to services, downtime of systems.</p> <p>Malware – forms of harmful software executed when it is mistakenly downloaded.</p>	5	5	25	Patch management. Penetration testing. Internal phishing awareness exercises. PSN compliance. Firewall management. Cyber insurance. Cyber specific post created within ICT Team.	Associate Director: IT and Cyber	12	Finalise and test cyber response plan Network segmentation Cyber essentials accreditation	9

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Risk ref	Corporate risk identified	Impact assessment / comment	Impact Score (1-5)	Likelihood Score (1-5)	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk mgt action points	Target risk score
		<p>Ransomware – denies access to systems until a ransom is paid.</p> <p>Reusing credentials on multiple systems makes it easier for a hacker to move around the network</p> <p>All or combination can lead to: Loss of reputation and trust, financial loss – disruption to service delivery, cost of restoring systems, Legal implications – personal data breach could lead to a significant fine</p>								
<p>Comments: <b>New vulnerability management system is now fully operational and is allowing for swifter identification and management of required remediation work. New segmentation of the network is underway and initial pilot has been successful. Phishing exercises have taken place and this has identified where additional training is needed.</b></p>										
3	If business continuity planning is not in place then there is a risk	<p>A BC incident could be any of the following;</p> <ul style="list-style-type: none"> <li>• ICT downtime</li> <li>• Major staff absence</li> </ul>	4	4	16	<p>Individual service continuity plans.</p> <p>Draft corporate plan.</p>	Director: Corporate Resources	12	<p>Finalise and test draft plan.</p> <p>Review of individual service plans.</p>	9

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178

Risk ref	Corporate risk identified	Impact assessment / comment	Impact Score (1-5)	Likelihood Score (1-5)	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk mgt action points	Target risk score
	the council would struggle to deliver its services in the event of an incident.	<ul style="list-style-type: none"> <li>Property access</li> <li>Supply chain failure</li> </ul> Leading to reputational damage, financial loss, impact on service delivery etc.				ICT disaster recovery.				
Comments: <b>A review of individual service plans, supported by the Civil Protection Team is completed. These plans will now help form the ICT BCP by identifying service areas priority systems. Following this a review of the corporate business continuity plan will be finalised and tested</b>										
4	If the council is not compliant with General Data Protection Requirement then there is a risk of financial penalties and adverse publicity.	Reputational – adverse publicity and internal impact on service and individuals  Financial – potential fines from ICO or compensation claim from individuals  Resource – time consuming to report, investigate and mitigate data breaches  Staff morale – in case of data breaches, potential disciplinary action	4	4	16	Updated Data Protection Policy – approved June 2023.  Governance structure in place eg Information Board, Data Protection Officer appointed, designated Senior Information Risk Owner, SpoC.  Breach reporting framework.  Staff awareness training.	Director: Corporate Resources	12	Rollout of e-learning module  Implementation of related audit recommendations.  Implementation of GDPR action plan	9

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Risk ref	Corporate risk identified	Impact assessment / comment	Impact Score (1-5)	Likelihood Score (1-5)	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk mgt action points	Target risk score
						GDPR action plan.				
<p>Comments: A new Information Governance Officer (IGO) started on 18 September following the promotion of the previous postholder to Head of Audit and Governance role. The key role of the IGO will be to review and proactively take forward the GDPR action plan of which there are a couple of significant projects, particularly around data retention. The updated Data Protection Policy was approved by Executive Committee in June 2023.</p>										
5	Use of Swindon Road depot.	Our waste services are currently based at the Swindon Road Depot in Cheltenham. The depot is currently leased to Ubico by Cheltenham Borough Council. If CBC were minded to terminate this arrangement then we may need to identify a suitable depot for Ubico to operate of waste services from.	5	2	10	Lease agreement in place.	Director: Communities	8	Elements of the lease arrangement of the depot have been reviewed and changes made to formalise the arrangements with Cheltenham BC.  Consider where a temporary depot could operate from in an emergency.	5
<p>Comments: A new lease fee for the depot has been agreed. Cheltenham Borough Council are in the process of developing a maintenance plan for the depot which will be agreed ahead of the next round of budget setting. This will ensure that the depot remains fit for purpose wherever possible. <b>No further change to this risk since the last update in July. An emerging piece of work is the potential for a new joint depot which could be located within the borough. A report is scheduled for Executive Committee in November around the project plan and principles for this piece of work.</b></p>										
6	Failure to maintain council assets and	The council has a significant property portfolio encompassing operational	5	4	20	Recent refurbishment of service-related property.	Director: Corporate Resources	10	Establishment of long-term asset maintenance	5

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Risk ref	Corporate risk identified	Impact assessment / comment	Impact Score (1-5)	Likelihood Score (1-5)	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk mgt action points	Target risk score
	ensure ongoing tenancies could result in significant cost and lost income	and investment assets. For example, the total commercial portfolio is £60m producing an annual gross income of £3.7m.				<p>Commercial investment reserve including annual contribution.</p> <p>Trained and experienced staff.</p> <p>Appointment of external investment support.</p> <p>Recruitment of additional Property Officer.</p>			<p>programme, including allocation of required funding.</p> <p>Establishment of annual contribution to Asset Maintenance Programme.</p>	
<p><b>Comments:</b> The current service and commercial portfolio are in a good state of repair with minor works ongoing. External funding to support the replacement of the heat system at the Council Offices has been secured – a report went to Council in July requesting internal funding to support this project. The commercial property portfolio is now fully let. A Strategic Asset Management Plan and individual property asset maintenance plan are to be developed by the end of the calendar year.</p>										
7	Garden Town status	<p>Failure to deliver Garden Town programme will have an impact on the Council in</p> <ul style="list-style-type: none"> <li>Reputation - Confidence from Government of TBC ability to deliver programme (<i>planning stages</i>).</li> </ul>	5	5	25	<p>Regular meetings with the Project Assurance Group/Programme Board which is attended by a Homes England (HE) representative.</p> <p>The programme is being managed through the</p>	Associate Director- Garden Towns	20	<p>Previous capacity funding awards from Government have also included £1.5m towards the County run J9/A46 project to assist with the ongoing business case development,</p>	9

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181

Risk ref	Corporate risk identified	Impact assessment / comment	Impact Score (1-5)	Likelihood Score (1-5)	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk mgt action points	Target risk score
		<ul style="list-style-type: none"> <li>Financial (loss of NHB from assumed delivery of homes).</li> <li>Non-delivery of homes and jobs required for community (<i>delivery stages</i>).</li> </ul>				standard HE Project Delivery Plan (PDP).  Completed update of the evolution of the masterplan to inform the JSP Review.  Regular review meetings with representatives from HE and DLUHC.			plus £500k for assessment of options for establishing a delivery vehicle for the GT– draft outline business case having been submitted to DLUHC for comment (April 2023).  Further work on the programme currently on pause pending outcome of Gateway Review.	
Comments: The programme is currently paused pending the findings of an external gateway review on the management of the programme. <b>A report detailing the recommendations from the gateway review the will be presented to Council on 26 September 2023. The risk description and risk score will be re-evaluated following the outcome of the decision at council.</b>										
8	Non-delivery of the Ashchurch bridge project.	The project under HIF funding has a time limit of March 2024 for complete funding draw-down. This however was not extendable and further HIF	5	3	15	Planning permission quashed.  Agree licence/access with landowners	Associate Director-Garden Towns	25	A Judicial Review submitted by a group of local parishes was heard at the high court in November. In January 2022, the	8



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Risk ref	Corporate risk identified	Impact assessment / comment	Impact Score (1-5)	Likelihood Score (1-5)	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk mgt action points	Target risk score
		funding support has been withdrawn.				Network Rail is an active part of the project board.			Judicial Review ruled robustly in the Council's favour and all challenges were dismissed. However, the parishes lodged an appeal, heard in December 2022 and the judgement - received in February 2023 quashed the planning consent.	
<p>Comments: Judgement now received and the planning consent has been quashed. Due to the HIF funding constraints – completion by March 2024 – further funding support has been withdrawn. At the present time, no party has indicated an appetite to bring the project forward again. If they do, then the legal issues identified by the Court of Appeal would clearly have to be addressed. <b>No further change to this risk since the last update in July.</b></p>										
9	The climate change motions approved by Council included a commitment to achieve countywide carbon	<ul style="list-style-type: none"> <li>- Significant change to service delivery.</li> <li>- Ability to influence wider community.</li> <li>- Significant financial input</li> </ul>	4	5	20	<p>Appointment of countywide coordinator.</p> <p>Approval of action plan for Council carbon neutrality.</p> <p>Delivery of a new solar car parking canopy.</p>	Executive Director: Resources	16	<p>Identification of specific actions to support wider carbon neutrality of whole council and the Borough.</p> <p>Allocation of funding to support specific</p>	4

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Risk ref	Corporate risk identified	Impact assessment / comment	Impact Score (1-5)	Likelihood Score (1-5)	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk mgt action points	Target risk score
	neutrality aims as well as carbon neutrality for the Council's own services.					<p>Appointment of dedicated Carbon Reduction Officer.</p> <p>Allocation of £100,000 reserve to support small scale activities.</p> <p>Rollout of carbon literacy training.</p>			<p>activities, both on an on-going and one-off basis</p> <p>Source external grant funding opportunities</p> <p>Collaborative working with partners to maximise efficiency and reduce cost</p> <p>Assessment and delivery of capacity and resource necessary to meet the Council's motion.</p>	
<p>Comments: The Council has been awarded £708,000 of funding from the Public Sector Decarbonisation scheme to support the replacement off gas boilers with an air source system at the Council offices. <b>Council agreed, in July, to match fund the scheme, the installation has started and expected to be completed by March 2024. Executive Committee also approved a new and permanent Climate Change Officer role within the Council to support the existing resource.</b></p>										

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Risk ref	Corporate risk identified	Impact assessment / comment	Impact Score (1-5)	Likelihood Score (1-5)	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk mgt action points	Target risk score
10	Additional demand placed upon the council through cost of living support.	<ul style="list-style-type: none"> <li>• Potential increase in homelessness cases</li> <li>• Increase in benefit related cases eg council tax reduction applications/DHP etc</li> <li>• Reduced council tax and business rate collection rates</li> <li>• Increased business enquiries to growth hub</li> <li>• Inflationary increases on council supplies and services</li> <li>• additional resource to deliver govt schemes eg energy rebate/food vouchers/warm places</li> </ul>	4	5	20	<ul style="list-style-type: none"> <li>• Re-instigate the Financial Inclusion Partnership</li> <li>• Dedicated Discretionary Housing Payments Officer</li> <li>• Use of £100k TBC business grant scheme to support small business</li> <li>• Re-target balance of £98k council tax hardship grant</li> <li>• additional external funding eg £55k to support warm places</li> <li>• Introduction of multi service cell to harness a cohesive response</li> <li>• New version of the household support grant being devised</li> </ul>	Director: Community Services	20	Monitor the impact and consider what further actions can be taken working closely with other partners.	10

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<p>Comment: The cost of living crisis caused by rising rates of inflation, National Insurance, and fuel/energy costs, may cause more families and households to fall into poverty and unemployment, which may lead to increased level of service demand on the Council and place additional pressure on front-line services. Work continues both internally and with external partners to ensure that we are alerted of any significant problems at an early stage. Currently the voluntary sector is experiencing high demand for services. <b>A number of support schemes are in place and these are kept under constant review. This risk will continue to be under review.</b></p>										
11	A sustained increase in migration and movement of people could place increased demand on services	<ul style="list-style-type: none"> <li>• service deterioration</li> <li>• Increased demand in the Voluntary and Community Sector</li> <li>• Negative impact on the wider cohesion of the community.</li> <li>• Increased financial pressure on budgets</li> </ul>	4	4	16	<ul style="list-style-type: none"> <li>• member of the countywide strategic migration partnership</li> <li>• Lobby MPs / Government to increase funding and support for all migration schemes.</li> <li>• Continued engagement with the South West Migration Partnership to stay informed on the Afghan dispersal.</li> <li>• <b>Development of contingency plans for large numbers of homeless applications over the winter when pressures are already significant.</b></li> <li>• <b>A number (12) properties have been</b></li> </ul>	Director: Community Services	16	Monitor the impact and consider what further actions can be taken working closely with other partners	10

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						earmarked for Afghan / Ukrainian families funded by DLUHC / partners.				
186	<p>Comments: There is a possibility that there will be a sustained increase in migration and movement of people. This could result in increased demand on the Council's critical front-line services which may result in service deterioration, financial pressures. Working with partners and the community will help to reduce this risk. Partners have established the Gloucestershire Strategic Migration Partnership Group (GSMP) and they will be monitoring the overall risk within the county. This risk will continue to be under review. <b>There is also a plan to disperse Afghan migrants out of hotels. Asylum seekers in hotels are starting to receive decisions on their applications and this could lead to an influx of homeless applications. The GSMP are currently working on contingency planning for high demand on housing / homeless services particularly over the winter period.</b></p>									
12	Delays in progressing the Joint Strategic Plan (JSP).	<ul style="list-style-type: none"> <li>lack of up to date strategic policies - potentially lead to inappropriate development</li> <li>Reputational damage.</li> <li>Requirement for additional resources.</li> <li>Insufficient strategic site allocations to deliver housing and land for employment.</li> <li>Impact on securing external funding for key infrastructural projects</li> </ul>	5	3	15	<ul style="list-style-type: none"> <li>Appointed a new Senior Responsible Owner (SRO).</li> <li>Evidence base tracker was created in July 2022.</li> <li><b>Budgetary provision now agreed by three councils to provide dedicated staff and project resource to fund delivery of Plan.</b></li> </ul>	Associate Director: Planning	15	<p>A review of the budget and staff resources to deliver the JSP has been undertaken.</p> <p><b>A revised Local Development Scheme has now been approved by all three councils.</b></p> <p>Steering Group continue to meet on a weekly basis.</p>	10

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187						<ul style="list-style-type: none"> <li>Detailed risk register has been created.</li> <li>Detailed work programme has been developed.</li> </ul>			Joint Advisory Group meeting on a monthly basis.  <b>Lead in towards Issues and Options consultation at the end of calendar year now underway with Local Plan Reference Groups and Exec / Council meetings programmed. Consultation to follow thereafter.</b>	
<p><b>Comments: Still no finalisation of Government planning reforms. At present agreed timeline could only be delivered if either these reforms were not implemented or if the Government adopted more flexible transitional arrangements either allowing the JSP to progress under the current system or to transition to the new system. Significant progress has been made since the last update with new LDS and resources to deliver the Plan agreed. The Issues and Options consultation is tracking towards the respective councils for approval but will not formally commence until just before Christmas.</b></p>										

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Green	1-4	Tolerate and monitor

Risk ref	Corporate risk identified	Impact assessment / comment	Impact Score (1-5)	Likelihood Score (1-5)	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk mgt action points	Target risk score
13	Non-delivery of the Development Management review.	<ul style="list-style-type: none"> <li>Reputational damage.</li> <li>Failure to meet the national thresholds for 'major' and 'non-major' planning applications.</li> <li>Significant resource invested in the project.</li> <li><del>Gap in leadership ahead of permanent resource starting.</del></li> <li>Staff morale.</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>Approved project plan with dedicated workstreams incl recruitment &amp; retention</li> <li>Internal programme board chaired by Chief Executive.</li> <li>£150k funding secured through the DLUHC pathfinder projects scheme.</li> <li>In February 2023, further £300k awarded from the DLUHC-Planning Software Improvement Fund to help improve customer experience for planning service users.</li> <li>Interim operational manager is in place.</li> <li><b>New Associate Director Planning now in place.</b></li> <li><b>£100k bid was submitted for the</b></li> </ul>	Associate Director: Planning	9	<ul style="list-style-type: none"> <li>Delivery of project action plan.</li> <li>Support service review.</li> <li>Deliver new ways of working through Business Transformation, including expenditure of the DLUHC funding.</li> </ul>	4

## Appendix 1 - Tewkesbury Borough Council: Corporate Risk Register (updated September 2023)

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

Risk ref	Corporate risk identified	Impact assessment / comment	Impact Score (1-5)	Likelihood Score (1-5)	Gross risk score	Mitigating Controls	Risk Owner	Current risk score	Identified risk mgt action points	Target risk score
						Government launched Skills and Capacity Backlog Fund (deadline 11 Sept).				
Comments: <b>New Associate Director now started and overseeing the DM review. On 11 September the council submitted a bid to the Government skills and capacity backlog fund to help continue the work being carried out.</b>										
14	Outcome of the DEFRA consultation on the waste service.	If central government impose a change to our waste collection methodology the impact could be significant both in terms of the financial impact of purchasing new fleet, containers etc but also the disruption to residents.	5	4	20	There is little that can be done at this stage to mitigate this risk. Nearer the time there may be an opportunity to undertake an assessment of the service to demonstrate that it is technically, environmentally and economically practical to continue with the current service.	Director: Communities	20	Await the outcome of the government's consultation.  Continue to send messages to government that waste collection should be a local decision.	2
Comments: <b>New risk added following Audit and Governance Committee request in March 2023. No change to this risk since July 2023 still awaiting clarity on the future of waste services from central government.</b>										



## TEWKESBURY BOROUGH COUNCIL

<b>Report to:</b>	Audit and Governance Committee
<b>Date of Meeting:</b>	27 September 2023
<b>Subject:</b>	Internal Audit Monitoring Report
<b>Report of:</b>	Chief Audit Executive (Director Corporate Resources)
<b>Head of Service/Director:</b>	Executive Director: Resources
<b>Lead Member:</b>	Lead Member for Corporate Governance
<b>Number of Appendices:</b>	2

**Executive Summary:**

The monitoring report provides the Audit and Governance Committee with an overview of the internal audit 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 internal audit work undertaken 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 (Director: Corporate Resources) 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. Attached at Appendix 1 is the work completed in the period.

## **2.0 COMPLETED AUDIT ASSIGNMENTS FOR THE PERIOD**

- 2.1** When reporting, a 'split' opinion is given. This means an individual opinion is given for each risk category identified. This approach enables internal audit to identify to management specific areas of control that are operating well and those that are not. Assurance opinions are categorised as 'substantial, reasonable, limited or no assurance'. The audit opinions can be found in Appendix 1.
- 2.2** Overall, from the individual opinions given, the conclusion is positive. All opinions given during the period conclude at least a reasonable level of control, with no 'high' recommendations made. The audits conclude that, for the assignments completed, there are no significant areas of concern.
- 2.3** With regards to work in progress, audits in relation to S106 agreements, budgetary control and the council's commercial property portfolio are underway. The conclusion of this work will be presented to committee in September 2023.

## **3.0 FOLLOW-UP OF INTERNAL AUDIT RECOMMENDATIONS**

- 3.1** All audit recommendations that were due to be followed-up in the period have been followed-up. This provides the Committee with an overview of the breadth of work undertaken and allows Members to monitor the implementation of the audit recommendations. The list of these recommendations and their status can be found in Appendix 2. Of the 3 recommendations followed up during the period, two have been partially implemented and one mitigated.

## **4.0 CONSULTATION**

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

## **5.0 ASSOCIATED RISKS**

- 5.1** 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.

## **6.0 MONITORING**

- 6.1** An internal audit monitoring report of work undertaken during the period is presented at each Audit and Governance Committee.

**7.0 RELEVANT COUNCIL PLAN PRIORITIES/COUNCIL POLICIES/STRATEGIES**

**7.1** The work of internal audit supports the internal control, risk mitigation and governance of Council Plan priorities.

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**Background Papers:** Internal Audit Six Monthly Plan (April-September 2023) – approved by Audit and Governance Committee on 23 March 2023

**Contact Officer:** Chief Audit Executive (Director Corporate Resources)  
01684 272002      Graeme.simpson@tewkesbury.gov.uk

**Appendices:** Appendix 1 – Audit opinions  
Appendix 2 – Outstanding audit recommendations

## Audits

## Audit: Garden Waste 2023/24

## Introduction:

The Garden Waste Club is a service provided by the council with fortnightly collections of garden waste through kerbside collections of a brown wheelie bin. The service is an annual membership, running from April to March, and is currently charged at £52 per year. A review of the service was completed in 2018-19 in which a sticker system was introduced to tighten measures on those who were getting a service without paying the subscription. An audit of the implementation of the sticker system was completed in 2018-19 and reviewed the key risks.

This audit will focus on the renewal process for issuing reminders, taking payments, and ensuring that the process is up and running for the new year, providing a smooth service for customers.

Risk identified:	Level of Control:	Overall opinion:	Recommendations:
<p><b>Legislative and Compliance</b></p> <p>LPC1: Retention of data does not adhere to the Council's retention schedule and therefore the service is in breach of GDPR regulations leading to the possibility of prosecution/fine.</p>	Reasonable	<p>Garden waste subscription and renewal data is accessed and managed via the council's Liberty Create system. The supporting database is provided by Amazon Web Services (AWS) and information is retained here for one year, although there was some discussion about extending this time frame to enable an overlap of details between the renewal periods.</p> <p>The corporate retention schedule makes reference to the garden waste data being stored on Firmstep, which is a historical system, no longer used by the council. Therefore, the retention schedule requires updating to reflect the change in where this data is held. It is acknowledged that there is a corporate piece of work due to take place to consider more widely the retention and disposal of records across the council, any updates required to the retention schedule will be included in this review, which will have visibility via the Information Governance and Security Board. A separate recommendation has therefore not been made at this time.</p> <p>Appropriate access controls were found to be in place with a limited number of staff having access to the system and associated data, as per the requirements of their role.</p>	None

<p><b>Operational</b></p> <p><b>OP1:</b> Renewal letters are not issued promptly and result in:</p> <ul style="list-style-type: none"> <li>•An increase in contact from customers which cannot be met by the staffing available.</li> <li>•Extended grace period providing a period of free collections for those not renewing, resulting in loss of income for the council.</li> <li>•A delay in receipt of the stickers, resulting in potential additional queries, missed bins, and subsequent reputational damage.</li> </ul>	Reasonable	<p>The council's garden waste service runs from 1 April to 31 March each year, with the renewals process beginning in late February/ early March. Customers are able to renew their subscription online, via telephone or via post. The renewal notices encourage customers to renew online via the council's website and it is encouraging to see that at the time of the audit, 84% of orders had been placed via this method.</p> <p>The audit confirmed that once a customer renews their subscription, there is a reconciliation process in place which verifies that the payment has been successful, prior to the garden waste sticker being issued. The council uses a third party to produce and post these stickers.</p> <p>To help manage customer contact, renewal notices are segregated and sent out in batches. These are followed up with reminders. A final reminder notice was sent to existing garden waste customers on 15 May 2023. This year 20,287 orders have been placed, totalling 21,302 stickers. When compared with the 2022-23 figures of 19,682 orders, this is an increase of over 600 orders.</p> <p>Discussions during the audit established that the renewal process had faced some unanticipated delays due to staff absence. As a result of this, the grace period during which bins could be collected without a new sticker, was extended from 2 weeks to 4 weeks. On the basis that the subscription is not paid per collection, if the customer renewed during the grace period there was no loss of income. However, if customers did not renew, they will have potentially received additional collections free of charge. Given that there has been an increase in orders for the garden waste service this year, this is not considered significant.</p> <p>This has been recognised by the Waste and Recycling team, who gave verbal assurance that a lessons learnt meeting is due to take place to ensure contingencies are in place for next year's renewals process.</p> <p>A technical issue also arose between the payment connector (Adelante) and the Liberty Create system whereby reconciled payments were not being identified. This meant a delay in successful payments being confirmed and therefore the instruction was not sent to the printers for stickers to be printed and issued promptly. Although the issue was identified and rectified, it did</p>	None
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		<p>result in a delay of up to 11 days between the payment being received and the instruction being sent to the printers.</p> <p>On discussion with the Business Transformation Team, who support this aspect of the renewals, it was confirmed that the intention is to review the process and consider introducing a new payment connector to reduce the issues faced during this year's renewals.</p> <p>In addition, it is noted that the council has recently entered into a new contract for producing and printing the stickers and the process may be amended i.e., discussions are ongoing as to whether addresses will continue to be printed on stickers.</p> <p>Given the planned reviews and changes to address the issues identified, a recommendation has not been made at this time; however, the findings of the audit should be taken into consideration when carrying out the review.</p>	
<p><b>Economic and Financial</b></p> <p><b>EF1:</b> loss of income due to fraudulently issuing stickers.</p> <p><b>EF2:</b> increased expenditure due to overcharges for stickers printed.</p>	Reasonable	<p>Blank stickers are retained at the Public Services Centre to be issued on the odd occasion when stickers cannot be ordered through the normal means. A blank sticker may be issued in instances where the address is not recognised on the system; this can include village halls or unusual addresses. A blank sticker may also be issued by the Customer Services team in exceptional circumstances where a customer requests a sticker immediately as there's has not arrived.</p> <p>The Customer Services team hold the stock of blank stickers and maintain a record of when these are issued. During the audit it was established that these stickers are stored in both the reception area and customer services cupboard, which is left open throughout the day.</p> <p>Furthermore, no current stock take is carried out to account for the stickers and a review of the records held found that information is not being consistently recorded i.e. to state why a sticker has been issued. Therefore, given the value of these stickers (£52 each), a stock take was completed as part of the audit and a check sheet introduced. This found that at the time of the audit, a total of 239 stickers were being held, with a total value of £12,428.</p>	<p><b>R1:</b></p> <p><u>Recommendation priority:</u></p> <p>Medium</p> <p><u>Recommendation Details:</u></p> <p>On receipt of any Garden Waste stickers being held at the council offices, these should be verified to confirm that the correct number of stickers have been received. A stock check should be completed, and any stickers issued from the stock should be recorded and note the reason it is being issued, who is issuing it and who is receiving the sticker. Any</p>

		<p>It is therefore recommended that upon receipt of any garden waste stickers held at the council offices, these should be held securely, verified to confirm that the correct number have been received, a stock check completed, and any stickers issued from the stock be recorded to note the reason for issue [R1].</p> <p>During the audit a sample of invoices for the cost of printing and dispatching the stickers were reviewed. A recalculation of the invoice amount against the goods received found very minimal variances which are not considered to be material (less than £3). The invoices were found to have been promptly paid and accurately coded on the general ledger.</p>	<p>stickers stored at the council should be kept securely and accounted for.</p> <p><u>Implementation date:</u> November 2023</p> <p><u>Responsible Officer:</u> Senior Customer Services Advisor</p>
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### Audit: Disabled Facilities Grants 2023/24

#### Introduction:

A Disabled Facility Grant is a grant that can help pay for essential housing adaptations for disabled people to live independently and safely at home. It is available from local councils and is based on assessed need and is means tested for eligibility, although applicants who are in receipt of certain benefits may automatically qualify. It can be used by people of all ages and in all housing tenures, but tenants may require their landlord's permission. The grant can pay for changes that the council considers necessary, reasonable, and practical and may include:

- Providing ramps to allow a person to get in and out of their house.
- Stair lifts.
- Level access showers for people who cannot use a conventional shower or bath.

To apply for a grant, it is necessary to first be assessed by an occupational therapist from Gloucestershire County Council. They work with the applicant to establish if a major adaptation to their home is the best solution for their needs.

The maximum grant value is £30,000 and the Council's annual budget is £800,000.

The audit will review the processes to gain assurance that grants are authorised, comply with policy, where appropriate are means tested, works are adequately monitored, and expenditure approved.

Risk identified:	Level of Control:	Overall opinion:	Recommendations:
<p><b>Legislative and Compliance</b></p> <p><b>LPC1:</b> Retention of data does not adhere to the council's Corporate Retention Schedule and therefore the service is in breach of GDPR regulations, leading to the possibility of prosecution/fine.</p> <p><b>LPC2:</b> Written procedures in respect of administration of disabled facility grants do not cover key areas and are not accessible to key staff.</p>	Reasonable	<p>The primary database for documentation relating to Disabled Facilities Grants (DFG's) is Uniform. The council's corporate data retention schedule specifies that the retention period for this documentation is 13 years.</p> <p>It was confirmed during the audit that records are held in excess of this, some dating back to 2007, with further records dating back to 2005 held in hard copy, some of which are duplicated on the Uniform system.</p> <p>It is acknowledged through discussions with the Environmental Health team that the current retention period of 13 years may not be sufficient to take into account the requirement to review and identify any previous applications or grants awarded. There is however a corporate piece of work due to take place to consider more widely the retention and disposal of records across the council, DFG retention periods will be included in this review which will have visibility via the Information Governance and Security Board. A separate recommendation has therefore not been made at this time.</p> <p>In terms of procedures and guidelines, the audit confirmed that these are in place, cover all key areas in sufficient detail and are available to all key staff. Furthermore, internal procedures were found to accurately reflect government guidance and requirements.</p>	None



<p><b>Economic and Financial</b></p> <p><b>EF1:</b> Disabled Facility Grants may be awarded to applicants who do not meet the required conditions.</p>	<p>Substantial</p>	<p>During the audit a sample of 10 Disabled Facilities Grant payments, made within the 2022/23 financial year, were tested. This concluded that for each of the payments made, all necessary steps had been undertaken and there was appropriate evidence to support this.</p> <p>In all cases sampled:</p> <ul style="list-style-type: none"> <li>- The applicant met the grant criteria.</li> <li>- The application was processed in a timely manner.</li> <li>- Relevant documentation was received</li> <li>- The required number of quotes were obtained</li> <li>- The correct amount had been paid and appropriately authorised.</li> <li>- Necessary checks had been carried out to ensure the work had been completed, in line with agreed plans and to a satisfactory standard.</li> </ul> <p>In instances where the payment selected in the sample was not for the whole value of the grant, and other interim or final payments had been made, assurance was obtained that the total value of the payments were accurate and in accordance with the value of quotes received.</p> <p>Whilst carrying out the audit testing it was identified that there is currently no standard document naming protocol in place. Due to the volume of documentation relating to some of these grants, this makes the process of locating and retrieving specific information time consuming. In many cases, quotes are embedded within emails saved within the Uniform system with no indication of the subject matter or type of information within. Therefore, to achieve efficiencies and ensure ease of retrieval when assessing these grants, a more consistent approach to the document management is recommended <b>[R1]</b>.</p>	<p><b>R1</b></p> <p><u>Recommendation priority:</u> Low</p> <p><u>Recommendation Details:</u> To improve efficiency in identifying documentation and information, items saved onto Uniform should be named in a more consistent and transparent manner.</p> <p><u>Implementation date:</u> March 2024</p> <p><u>Responsible Officer:</u> Head of Environmental Health</p>
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<p><b>Technical</b></p> <p><b>T1:</b> Disabled Facility Grants may be accessed and amended fraudulently or erroneously.</p>	<p>Substantial</p>	<p>Information relating to Disabled Facilities Grants is stored on the 'Housing Assistance' module of Uniform. During the audit a list of users who have access to this module was obtained. This identified 8 users that no longer work for Tewkesbury Borough Council, with 2 of these having left as far back as 2018 and 2019.</p> <p>Assurance was obtained that access to the council's network had been revoked for these former members of staff and that they would therefore be unable to access Uniform, or any other council systems. This mitigates the risk that former employees could access sensitive or confidential information after they have left the council. However, as part of a strong internal control environment, a process should be in place to ensure that users are removed from the Uniform module when they leave <b>[R2]</b>.</p>	<p><b>R2</b></p> <p><u>Recommendation priority:</u> Low</p> <p><u>Recommendation Details:</u> Regular checks should be undertaken to confirm that users of the module in Uniform that allows access to Disabled Facility Grant information remain current and that access rights are still appropriate.</p> <p><u>Implementation date:</u> March 2024</p> <p><u>Responsible Officer:</u> Head of Environmental Health</p>
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## **Audit: High Street Heritage Action Zone 2023/24**

### **Introduction:**

Tewkesbury High Street Heritage Action Zone (HSHAZ) is a Historic England initiative to breathe new life into the town centre. It aims to make Tewkesbury a more desirable place for businesses, visitors, investors and local people by restoring and enhancing the historic local character of the town centre area. Jointly funded by Historic England and Tewkesbury Borough Council (TBC), the Shop Front and Façades Grant Scheme provides an opportunity for property owners, and lessees with repairing leases, to invest in the repair and restoration of their properties.

The grant scheme seeks to improve the appearance and condition of the properties along the High Street, Barton Street and Church Street, as well as bringing vacant or under-utilised buildings back into use. To be eligible for grant funding, buildings must be located within the Tewkesbury's HSHAZ area and be included on the Tewkesbury HSHAZ approved Schedule of Buildings.

The scheme is open from September 2021, and will close to new applicants from 1 September 2023, to enable grant funded work to be completed and claims submitted by 16 February 2024, when the scheme finishes. All grant funded work must be completed, and claims made, within 12 months of the date of the grant offer letter, or by Friday 16 February 2024, whichever is earlier.

The funding available is limited and will be administered on a first come, first served basis. Funding offered is currently up to 75% for the works to shop fronts and facades and will be kept under review over the course of the scheme.

The Council's Head of Development Services was responsible for making funding decisions in liaison with the HSHAZ Grants Panel, which convenes at least quarterly, until 1st July, when it became the responsibility of the Director of Communities. As a discretionary grant scheme there will be no right of appeal for unsuccessful applications, and in all cases the decision as to whether any works or costs proposed are eligible for grants shall be at the sole discretion of the council and/or Historic England.

This audit will concentrate on Shop Front and Facades grants and review the project management and governance arrangements of the scheme plus the delivery of the individual work streams and confirmation that overall grant conditions are adhered to.

Risk identified:	Level of Control:	Overall opinion:	Recommendations:
<p><b>Legislative and Policy Compliance</b></p> <p><b>LPC 1:</b> Retention of data does not adhere to the Council's retention schedule and therefore the service is in breach of GDPR regulations leading to the possibility of prosecution/fine.</p> <p><b>LPC2:</b> The Council does not have written procedures in respect of the administration of the scheme that covers key areas and is accessible to key staff.</p>	Reasonable	<p>The audit identified that the council's corporate data retention schedule does not currently make reference to the High Street Heritage Action Zone and associated documentation.</p> <p>It is acknowledged that a corporate piece of work is due to take place to consider more widely the retention and disposal of records across the council. The retention and disposal requirements for HSAZ records will be included in this review, which will have visibility via the Information Governance and Security Board. A separate recommendation has therefore not been made at this time.</p> <p>Discussions with the Heritage Action Zone Programme Manager gave assurance that they are mindful of the need to consider how documents are stored and disposed of, and when necessary they will discuss this with Historic England.</p> <p>Although the audit established that written procedures for the scheme have not been established, the scheme itself is very prescriptive. The council has also issued Grant Scheme Guidance, which sets out eligibility criteria for grants and the process to be followed. Additionally, the Scheme Application form reflects the steps outlined in the guidance and ensures that all key areas are covered and provides a checklist showing the information and documentation required. This is therefore considered to be sufficient.</p>	None

<p><b>Operational</b></p> <p><b>O1:</b> A formal partnership agreement has not been agreed between the Council and Heritage England, meaning that governance arrangements are not sound.</p>	<p>Substantial</p>	<p>A formal partnership agreement is in place between the council and The Historic Buildings and Monuments Commission for England (Historic England), signed on 29 June 2020.</p> <p>The agreement outlines the background to the HSHAZ programme, explaining that this programme forms part of the wider historic high streets fund announced by the Government in 2018. It also describes its purpose as being to help local leaders implement bold new visions to transform their town centres and make them fit for the future. It confirms that it is a four-year programme.</p> <p>Key definitions and interpretations are clearly defined and confirms that the Council should publicise the grant scheme for the period of the programme. The document also outlines the administration of the scheme and the Council's responsibilities.</p> <p>The agreement sets out conditions where it is necessary to obtain approval from Historic England, prior to approving a grant, at paragraph 15 of the agreement, such as:</p> <ul style="list-style-type: none"> <li>• Property is owned by an elected member.</li> <li>• Contribution from Historic England is over £50,000.</li> <li>• Funding public realm works.</li> <li>• Properties owned by the Council, etc.</li> </ul> <p>In addition to the Partnership agreement, the council has produced a Governance Model, which confirms more specifically the roles and responsibilities of respective parties, meeting and reporting arrangements and the decision-making process in relation to awarding grants.</p>	<p>None</p>
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<p><b>Social, Political and Ethical</b></p> <p><b>SPE1:</b> HSHAZ grants may be awarded to applicants who do not meet the required conditions.</p> <p><b>Economic and Financial</b></p> <p><b>EF1:</b> Grants may be awarded without the financial supporting documentation being submitted.</p>	Reasonable	<p>The scope of this audit concentrated on Shop Front and Facades grants and a review of the governance arrangements of the scheme.</p> <p>At the time of the audit, out of a total of £87,447.41 grants paid under the High Street Heritage Action Zone scheme, £42,487.50 had been spent to date on shop fronts and façades.</p> <p>In order for a grant to be considered for eligibility and ultimately awarded, it is necessary for prescribed information and documentation to be provided to the council. This is set out in the council's Grant Scheme Guidance and additionally, on the grant application form.</p> <p>To confirm that all relevant information and documentation had been received, a sample of 6 applications were reviewed. 3 of these had resulted in a grant payment, 2 were in the process of being reviewed and approved and 1 was withdrawn as they were granted alternative funding. Whilst the majority of the information required was present, audit testing resulted in the following findings:</p> <ul style="list-style-type: none"> <li>• In one case evidence of buildings insurance had not been provided.</li> <li>• In one case evidence of contractor insurance had not been provided.</li> </ul> <p>A checklist is used to record information and documentation received and it is considered that this was an oversight, and a recommendation is therefore not appropriate.</p>	None
<p><b>Technology</b></p> <p><b>T1:</b> Shop Front and Façades Grant documentation may be accessed and amended fraudulently or erroneously.</p>	Substantial	<p>Information and documentation in respect of the High Street Heritage Action Zone scheme is held on Word, Excel, Access and Outlook.</p> <p>There is assurance that access to these documents is restricted to the High Street Heritage Action Zone Programme Manager and is not at risk from inappropriate access.</p>	None

## UK Shared Prosperity Fund 2022/23- 2024/25

### Summary

In April 2022, the government established the UK Shared Prosperity Fund as part of their levelling up agenda. The government envisioned that the country be levelled up by increasing opportunity and prosperity by overcoming geographical inequalities. They also wanted to encourage people's pride in the places they live, empowering local leaders and communities to make local decisions.

To do so, the government introduced the UK Shared Prosperity Fund for councils to invest in their constituency. The government allocated a total of £2.6 billion to the fund nationally, with £1,011,978 being allocated to Tewkesbury Borough Council between 2022-23 and 2024-25. To access this fund, each Local Authority was required to submit an investment plan, to outline how the council would allocate the funding to support these aims. The council submitted an investment plan in line with the deadline of August 2022.

The Head of Economic and Community Development provided a copy of the investment plan. The plan makes reference to the Council Plan 2020-2024 and its emphasis on promoting sustainable communities and a sustainable environment. Several key challenges were outlined in the plan, including those faced by; communities and place, supporting local business, and people and skills. The challenges within these areas were detailed, and subsequent interventions were outlined on how to tackle these challenges.

A payment of £142,813 was received at the start of 2023, and £15,000 of this allocation was transferred to the capital grant allocation, in line with the investment plan. As part of the UKSPF guidance, up to 4% of the total allocation can be used for the administration of the fund, and at this time a UKSPF Programme Support Officer has been employed to facilitate the fund, as part of the 4% administration costs. Budget monitoring should ensure that the 4% is not exceeded.

Within the payment received at the start of 2023 was a capacity payment; a one off lumpsum payment of £20,000 on top of the council's allocation to aid preparatory work, including assistance in developing the investment plan. There are no conditions as to how the £20,000 can be spent, but the council will be required to outline how the money was spent in subsequent reporting. Any remaining funding in the capacity payment can be used towards the administration costs for the fund.

A second fund, called the Rural England Prosperity fund, builds on and is complementary to the UKSPF. This fund is a 'top up' of the UKSPF for local authorities in England in more rural areas which face their own challenges. This fund required an additional addendum to the UKSPF investment plan, once again outlining the intended use and expected outcomes for the funding. An allocation of £400,000 was awarded to Tewkesbury Borough Council. This fund is intended to be specifically used for capital projects, and administration of the grant funding can only be absorbed from the 4% administration funding accessible from the UKSPF.

A future audit will look to consider the project monitoring and expenditure of the fund to ensure compliance with the council's investment plan and fund prospectus.

## Recommendations Rating





Priority:		Definition:
1	<b>High</b>	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	<b>Medium</b>	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	<b>Low</b>	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:
<b>Substantial</b>	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.
<b>Reasonable</b>	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.
<b>Limited</b>	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.
<b>No Assurance</b>	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.



## Outstanding Audit Recommendations Followed up in Q2 2023/24

	Recommendation reviewed and found not implemented
	Recommendation reviewed and found to be partially implemented
	Recommendation reviewed and found to be implemented
	Recommendation reviewed and found to be mitigated

### Communities

Service Area	Responsible Officer	Audit Recommendation	Priority	Implementation Date	Findings
Waste and Recycling 206	Head of Waste and Recycling	<p><b>Bulky Waste 2022-23</b> Progress reviews with Orchard should be formalised to demonstrate regular contract monitoring.</p> <p>Discussions should include:</p> <ol style="list-style-type: none"> <li>1. A review of Key Performance Indicators (merit in introducing new KPI's).</li> <li>2. Total number of items recycled to be included on the monthly statistics submitted by Orchard (where possible to include verification of the items 'end destinations').</li> <li>3. Verification of the vetting and safeguarding arrangements in place.</li> </ol>	Medium	April 2023 Dec 2023	<p><b>Partially implemented:</b></p> <p>A meeting was held on 12/09/2023 between the Waste and Recycling team and Orchard. Verbal assurance was obtained that this meeting included a discussion in respect of the audit recommendations. A future follow up will review the minutes of the meeting to confirm this and ensure that regular contract monitoring can be demonstrated.</p>

## People, Culture and Performance

Service Area	Responsible Officer	Audit Recommendation	Priority	Implementation Date	Findings
People, Culture and Performance	Associate Director: People, Culture and Performance	<p><b>Timesheet Recording and Administration of Annual Leave 2022-23</b></p> <p>HR should lead in facilitating a full reconciliation between employee annual leave records and the amounts carried over to My HR. This should include a review to ensure that timesheets have been configured correctly in terms of contracted hours.</p>	High	April 2023 October 2023	<p><b>Partially implemented:</b></p> <p>In order to carry out the reconciliation, HR have requested that all leave sheets from each team to provided. The majority of records have been received and the HR and OD Assistant is in the process of contacting the remaining individuals.</p> <p>An exercise will then be completed to collate the information and reconcile the leave entitlements against previous records and the MyHR system.</p>

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## Resources

Service Area	Responsible Officer	Audit Recommendation	Priority	Implementation Date	Findings
IT and Cyber	Associate Director of IT and Cyber	<p><b>IT Laptops 2022-23</b></p> <p>In line with Section 6 of the Council's Contract Rules, waiver of these rules should be sought to promote and maintain transparency.</p>	Medium	April 2023	<p><b>Mitigated:</b></p> <p>Due to the unprecedented circumstances related to the procurement of laptops for service delivery during the pandemic, and the period of time that has since elapsed, the S.151 Officer has agreed that a waiver will not be sought in this instance.</p>

## TEWKESBURY BOROUGH COUNCIL

<b>Report to:</b>	Audit and Governance Committee
<b>Date of Meeting:</b>	27 September 2023
<b>Subject:</b>	Internal Audit Six Month Plan 2023/24 (October 2023 - March 2024)
<b>Report of:</b>	Director: Corporate Resources (Chief Audit Executive)
<b>Head of Service/Director:</b>	Executive Director: Resources
<b>Lead Member:</b>	Lead Member for Corporate Governance
<b>Number of Appendices:</b>	One

**Executive Summary:**

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

**Recommendation:**

**To APPROVE the Internal Audit Six Month Plan 2023/24 (October 2023 – March 2024) as detailed in Appendix 1.**

**Financial Implications:**

None directly arising from this report.

**Legal Implications:**

None directly arising from this report.

**Environmental and Sustainability Implications:**

None directly arising from this report.

**Resource Implications (including impact on equalities):**

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

**Safeguarding Implications:**

None directly arising from this report.

**Impact on the Customer:**

To give assurance to external stakeholders (including customers) as to how well the council's internal control environment is managed.

## **1.0 INTRODUCTION**

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

## **2.0 PUTTING TOGETHER THE PLAN**

- 2.1** The plan (see Appendix 1) takes into account key areas as follows : -

### **2.2 Corporate Risk Register**

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

### **2.3 Governance related**

These are typically audits which are not a recognised service area but are frameworks or systems which support good governance and the overall stewardship of the Council's affairs.

### **2.4 Corporate Improvement**

This is an allocation of days requested by COG to review or take forward activities of a corporate nature when needed. This is ad hoc work and can either be of a consultancy or assurance type nature. Using the independence and skillset of the Internal Audit team can help inform COG of specific issues or undertake a piece of work where resource is limited.

### **2.5 Financial Systems**

This is the review of key financial systems which inform the annual Statement of Accounts. This work supports the Executive Director: Resources to discharge his duties as the Council's Section 151 Officer, one of which is to maintain sound financial control. The Council has an excellent track record of financial control so on this basis, individual financial systems can be audited on a rolling basis.

## **2.6 Service area related activity**

These are service-related activities that have been risk assessed based upon factors such as size of budget, inherent risk, previous audit history and the period since last audit.

## **2.7 Other areas**

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

## **3.0 CONSULTATION**

### **3.1 Chief Officer Group**

## **4.0 ASSOCIATED RISKS**

### **4.1** If an internal audit plan is not developed and approved there will be no steer as to where audit resources should be deployed.

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

## **5.0 MONITORING**

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

## **6.0 RELEVANT COUNCIL PLAN PRIORITIES/COUNCIL POLICIES/STRATEGIES**

### **6.1** The work of internal audit underpins the delivery of actions within the Council Plan.

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**Background Papers:** None

**Contact Officer:** Director: Corporate Resources (Chief Audit Executive)  
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**Appendices:** Appendix 1 – Internal Audit Plan 2023/24 (Oct-Mar)

# Tewkesbury Borough Council

## Internal Audit Plan 2023/24

### (October 2023- March 2024)



## Internal Audit Plan 2023/24

The internal audit plan represents a summary of the proposed audit coverage that the internal audit team will deliver for the period October 2023 – March 2024.

### Introduction and objective of the Audit Plan

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

Each year the Chief Audit Executive, in conjunction with Senior Management, sets out proposed audit plans for April to September, and then October to the following March. Each six-monthly plan is presented to the Audit and Governance Committee for approval.

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

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

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

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

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

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

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

Proposed Internal Audit Plan 2023/24 (October 2023 – March 2024)	
Areas of coverage and brief scope	Responsible officer
<b>Corporate risk register</b>	
The <b>risk register</b> is a high-level corporate document presented at each Audit and Governance Committee meeting. The document captures the details of the risk, its impact upon the council, the controls in place to mitigate the risk and any further mitigating action points. The risks are audited on a rolling basis to give management and member's assurance that controls in place are effective and action points are being progressed.	Risk Owners
<b>Governance related</b>	
<b>Health and Safety</b> – the audit will aim to ensure that health and safety controls are designed and operating effectively, in accordance with legislative and regulatory requirements.	Head of Environmental Health
<b>Safeguarding</b> - the audit will review compliance with agreed policies and procedures, as well as the council's safeguarding self-assessment, and evaluate the effectiveness of the controls in place to mitigate any associated risks.	Director: Communities
<b>Financial</b>	
<b>Insurances</b> – the main objective of the audit will be to ensure that insurance cover is sufficient, policy conditions are being met and any incidents giving rise to an insurance claim are promptly reported, processed, and monitored.	Associate Director: Finance
<b>High Street Heritage Action Zone (HSHAZ)</b> – the HSHAZ scheme is a joint initiative with English Heritage. The total value of the scheme is just over £2m. The overall project is broken down across various work streams including shop front/facades, residential use of upper floors, public realm, traditional skills, healings mill. The audit will review the delivery of the individual work streams and that overall grant conditions are adhered to.	Head of Community & Economic Development
<b>New Heating System</b> - Council recently approved the installation of an air source heating pump at the Public Service Centre. The contract value sits at £1.1m and the audit will give assurance that the project is effectively managed and contract terms and conditions are met.	Head of Asset Management
<b>Service related</b>	
<b>Council Tax Reduction Scheme</b> – council tax reduction is calculated based on an individual's circumstances and is credited directly to a claimant's council tax account. The audit will provide assurance that claims are supported with appropriate documentary evidence, have been calculated accurately and input correctly.	Head of Revenues & Benefits
<b>Growth Hub</b> – the Growth Hub opened in the Public Service Centre in 2018, forming part of the Gloucestershire Growth Hub network offering support to businesses. The audit will review the LEP funding agreement to ensure conditions are being met and outputs accurately reported.	Head of Community & Economic Development



Proposed Internal Audit Plan 2023/24 (October 2023 – March 2024)	
Areas of coverage and brief scope	Responsible officer
<b>Building Control/ S101 Agreement</b> – the audit will review the agreement in place for the council’s shared building control service with Cheltenham Borough Council. It will seek to provide assurance that governance arrangements are robust, and that service and performance standards are met.	Associate Director: Place
<b>Recycling Credits</b> – the council receives recycling credits as an incentive to divert as much waste away from landfill as possible. This equates to an approximate annual income of £600k. The audit will look to obtain assurance that a MRF contract is in place, the service is monitored appropriately, and expenditure and income are accurate.	Head of Community Services
<b>ICT (including cyber security)</b> – a reserve has been set aside for the commissioning of specialist ICT audit work.	Associate Director: ICT & Cyber
Corporate improvement	
This is ad hoc work and can either be of a consultancy or assurance type nature. Using the independence of internal audit can help inform Chief Officers Group (COG) of specific issues when a need arises or utilise internal audit to undertake a piece of work where there may not be available resource.	Chief Officers Group (COG)
Consultancy & Advice (including representation of Corporate Group)	
As part of the role of internal audit it is inevitable the team will be approached from time to time to provide ad-hoc advice. The team welcomes such approaches, and these are often around contract procedure rules, financial procedure rules, proposed system changes etc.	Chief Audit Executive
Follow up reviews	
A key part of the work of internal audit is to <b>follow up</b> previous recommendations with relevant services to gain assurance they have been implemented. The date of follow up is driven by the agreed implementation date. The outcome of this work is reported at each Audit and Governance Committee meeting via the internal audit monitoring report.	Directors/ Associate Directors/ Heads of Service