



Notice of a meeting of Audit, Compliance and Governance Committee

Wednesday, 14 July 2021
6.00 pm
Council Chamber - Municipal Offices

Membership	
Councillors:	Guy Maughfling (Chair), David Willingham (Vice-Chair), Matt Babbage, Flo Clucas, John Payne, Richard Pineger, Jo Stafford and Paul McCloskey (Reserve)

The Council has a substitution process and any substitutions will be announced at the meeting

Agenda

1.	APOLOGIES Cllr Pineger	
2.	DECLARATIONS OF INTEREST	
3.	MINUTES OF THE LAST MEETING 21 April 2021	(Pages 3 - 8)
4.	PUBLIC AND MEMBER QUESTIONS These must be received no later than 12 noon on the fifth working day before the date of the meeting	
5.	ANNUAL INTERNAL AUDIT OPINION 2020/21 Lucy Cater, Assistant Director, SWAP Internal Audit Services	(Pages 9 - 48)
6.	INFORMING THE AUDIT RISK ASSESSMENT FOR CHELTENHAM BOROUGH COUNCIL 20/21 Gemma Bell, Head of Finance and Cllr Guy Maughfling, Chair of the Committee	(Pages 49 - 84)
7.	INFORMATION REQUESTS ANNUAL REPORT Judy Hibbert, Customer and Support Services Manager, and Beth Cordingley, Customer Relations and Information Officer	(Pages 85 - 92)
8.	ANNUAL GOVERNANCE STATEMENT	(Pages

		Darren Knight, Executive Director - People and Change	93 - 114)
9.		REVIEW OF DRAFT ACCOUNTING POLICIES JULY 2021 Gemma Bell, Head of Finance	(Pages 115 - 140)
10.		WORK PROGRAMME	(Pages 141 - 144)
11.		ANY OTHER ITEM THE CHAIRMAN DETERMINES TO BE URGENT AND REQUIRES A DECISION	
12.		DATE OF NEXT MEETING 22 September 2021	

Contact Officer: Bev Thomas, Democracy Officer, 01242 264130
Email: democratic.services@cheltenham.gov.uk

Audit, Compliance and Governance Committee

Wednesday, 21st April, 2021
6.00 - 7.20 pm

Attendees	
Councillors:	David Willingham (Vice-Chair), Matt Babbage, Jonny Brownsteen and Flo Clucas
Also in attendance:	Barrie Morris, Aditi Chandramouli, Paul Jones, Darren Knight, Lucy Cater and Emma Cathcart

Minutes

1. APOLOGIES

Before the meeting started, there was one minute's silence in memory of HRH Prince Philip, Duke of Edinburgh.

Councillor Harvey, the Chair, had given his apologies. Councillor Willingham, as Vice-Chair, would chair the meeting.

Apologies also received from Councillors Oliver and Stafford.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE LAST MEETING RESOLVED

That the minutes of the meeting held on 27 January 2021 be approved and signed as correct record.

4. PUBLIC AND MEMBER QUESTIONS

There were no public and member questions.

5. AUDIT PROGRESS REPORT AND SECTOR UPDATES

Aditi Chandramouli of Grant Thornton presented the progress report and sector updates and drew particular attention to the following:

- Certification of claims and returns – at the meeting in January it was mentioned that certification was being completed in relation to housing benefit claims and pooling of housing capital receipts. Both of those claims have now been certified and the errors in relation to these are set out in page 6. Errors are not uncommon with housing benefits because of its nature and small errors can lead to large extrapolation.
- There are no major large areas of error which have been noted. There have been a few areas which have been closed off since the previous year so the quantum of errors is reducing.

- The interim findings set out a few areas such as walk through testing and opening balances
- Interim audit, which informs the risk assessment work, has not yet identified any weaknesses that need to be communicated to the council
- There are a few articles in the sector update which Members may find useful; the first is in relation to accounting estimates. There has been a revision to the auditing standard in relation to accounting estimates as a result of which auditors are required to do more involved work in relation to checking the robustness of, and council's processes around, estimates. As a result, Grant Thornton have been liaising with the council's finance team, who have been fully cooperative, to get more of an understanding around estimates.
- The second article in sector updates which may be of interest is around the CIPFA financial resilience index which is produced annually and uses publicly available data to provide indicators to compare local authorities - the link to the index is in the report.

The following responses were given to questions from Members:

- Although the value of amendments to the housing benefit is quite low, it is not excessive but is getting towards the high side so although they are low value it would be better if they were reduced and enhanced training may be needed to address this. If fewer errors were happening Grant Thornton would need to do less work which would reflect in the audit fee. The DWP approach is very prescriptive and although the errors may be low value, it is the impact which is the focus. The ideal is that the errors drop out completely.
- Barrie Morris of Grant Thornton took the opportunity to highlight the work of housing benefit officers in completing some of the detailed testing in the areas identified last year which needed improvement. Officers responded really positively to that and their work was to a high standard and Grant Thornton wished to pass thanks on to the housing benefit team for their support of the audit process.

6. EXTERNAL AUDIT PLAN

Barrie Morris of Grant Thornton took members through the audit plan, highlighting a couple of areas of detail because the format of the audit plan is slightly different.

He also wanted to inform the Committee that Aditi Chandramouli will be leaving Grant Thornton at the end of June after being a fantastic support over many years. The process of recruiting another manager is underway.

The audit will take place during August and September with target for completion at the end of September. This has been brought forward from November and it was pointed out that the time scale presents a significant challenge as they are still completing 2019/2020 audits.

In response to a Member question Grant Thornton explained that subject to any findings from the current year audit Grant Thornton is satisfied with the progress that has been made on the recommendations from the previous year.

On behalf of the council the Vice Chair thanked Aditi on all the work she has done and wished her well in the future.

7. INTERNAL AUDIT PLAN AND CHARTER

Lucy Cater, SWAP, introduced the Internal Audit Plan and Charter for 2021/22 which requires audit, compliance and governance committee approval. The plan has been drafted following consultation with officers and members.

The plan lists the proposed audits that are planned but meetings will be held with Darren Knight, Executive Director and People and Change and Paul Jones, Executive Director of Finance and Assets on a quarterly basis to review the proposed audits and identify any emerging risks which may take precedence.

The Vice Chair stressed that nothing the council undertakes should be out of the scope of audit.

Upon a vote it was unanimously approved.

RESOLVED to approve the Internal Audit Plan and Charter

8. INTERNAL AUDIT PROGRESS REPORT

Lucy Cater, the Assistant Director for SWAP Internal Audit Services, presented the Internal Audit Progress Report which summarises the work which has been undertaken since the last committee meeting. Five reports have been concluded since the last meeting and all recommendations continue to be followed up.

The following responses were given to Member questions:

- Lucy Cater will update committee by email on a number of actions
- The values and number of cases of fraudulent activity in relation to business grants post payments is provided in the County Fraud Unit report, circulated with this agenda. The verification process has been robust across the counter fraud unit partnership as all good practice has been shared. Given the value of the payments and how many businesses have been supported, there is not a vast number of fraudulent claims.
- Plans are being discussed with officers about further post payment assurance work around grants which were paid between November 2020 and 31 March 2021. Work will also be done on post payment assurance on restart grants. The internal audit team and counter fraud unit are working closely on this work.
- Performance on business grants is reported on a regular basis and assurance is already in place, particularly given that businesses are known to the council as relationships have been built over a number of years. Members were reminded that the message from government is that the grants need to be paid at pace so even though all possible checks and balances are in place, it is a difficult balance.

RESOLVED to note the report

9. COUNTER FRAUD UNIT REPORT AND PROCEEDS OF CRIME AND ANTI-MONEY LAUNDERING POLICY

Emma Cathcart, Counter Fraud Unit Manager, introduced the Counter Fraud Unit report and Proceeds of Crime and Anti-Money Laundering Policy.

In respect of business grants, the figures for Cheltenham are in the report. Members were assured that the Counter Fraud Unit (CFU) is working very closely with the revenues team and in the background extensive checks are undertaken. One of the CFU investigations officers is permanently working on this across all five partner councils which provides good continuity and shared knowledge. The next big piece of assurance work is national data matching. Work on the track and trace scheme and the payments made as a result of that are also being looked at.

As well as the work which has arisen as a result of the pandemic, the team has continued planned work.

The Vice-Chair stressed the need to publicise, where possible, successful fraud cases both to inform the public of the work which takes place and to act as a deterrent.

The Proceeds of Crime and Anti-Money Laundering Policy has been reviewed and refreshed; there is more prescriptive and detailed procedural and guidance document for staff to support this.

The annual RIPA and IPA update which is information about number of applications the council has made and assures members of due diligence and assurance.

The Counter Fraud Unit Manager also reported she is finalising the internet and social media policy on how this is accessed for enforcement purposes and she will bring this to the committee in due course.

The following responses were given to Member questions:

- Although there are some anonymous referrals that come in regarding benefits generally which are dealt with appropriately, with regard to business grants etc. any anomalies are mostly picked up proactively as a result of processes in place. The relevant web pages have been updated to ensure that the public can make referrals easily and quickly.
- With regard to the Counter Fraud Unit's work with the RSPCA, this can include illegal dog breeding and there is ongoing collaboration.
- When a case goes to court, fines and costs take in to account low incomes and whether benefits are still payable. The Counter Fraud Unit producing a costs schedule so that enforcement officer, legal and Counter Fraud Unit costs are captured when making referrals to the legal team.
- Contact will be made with the Licensing Team Leader regarding test purchasing for licensing officers.
- The updated Proceeds of Crime and Anti-Money Laundering Policy reflects a change in the money laundering legislation and the value changed to 10000 euros (or equivalent).

RESOLVED:

- a) **To note the report and the work plan at Appendix 2**
- b) **To approve and adopt the Proceeds of Crime and Money Laundering Policy**
- c) **To authorise the Executive Director Finance and Assets (Chief Finance Officer) to approve future minor amendments to the Policy in consultation with Finance, One Legal and the Counter Fraud Unit**

10. ANNUAL REVIEW OF CODE OF CORPORATE GOVERNANCE

Darren Knight, Executive Director for People and Change, reported that since he arrived at Cheltenham Borough Council he has been looking at how corporate governance can continually be improved. A number of areas have been strengthened, for example with the creation of a full time Governance Manager post. He felt that it was a useful time to refresh the committee's awareness of the Code of Corporate Governance as the committee had not seen this since 2016. When the committee looks at the 2020/2021 Annual Governance Statement members can see the framework against which our performance is assessed.

In response to questions from members the Executive Director People and Change agreed to come back to the committee with suggested training outlines covering governance and risk management with recommendations on how this could be taken forward as part of member training and development.

The Executive Director of People and Change also informed Members of the approach to develop a constructive learning culture within the council, including ongoing business process reviews and through having strong customer complaints and feedback mechanisms. Internal audit is also active in making recommendations and producing action plans to support continuous improvement.

RESOLVED:

- 1 To approve the Local Code of Corporate Governance**
- 2 To approve that the Governance Manager reviews the Council's compliance through the Annual Governance Statement**

11. WORK PROGRAMME

It was requested that member training and development be incorporated in to the work plan.

12. ANY OTHER ITEM THE CHAIRMAN DETERMINES TO BE URGENT AND REQUIRES A DECISION

There were no urgent decisions.

As this was the last meeting of the committee before the local elections, the Vice-Chair took the opportunity to thank Councillor Harvey, for chairing the committee over his term of office and to thank all of the Members of the committee for their contributions. He also gave thanks to the Officers and

partners who work with the committee, and in particular Democratic Services, who have worked hard to support the committee and to move the meetings online during the pandemic.

13. DATE OF NEXT MEETING

The next meeting is scheduled for 14 July 2021.

Chairman

Cheltenham Borough Council

Audit, Compliance and Governance Committee – 14th July 2021

Annual Internal Audit Opinion 2020/21

Accountable member	Cabinet Member Finance and Assets, Councillor Peter Jeffries
Accountable officer	Paul Jones, Executive Director – Finance and Assets (S151 Officer)
Ward(s) affected	All
Key/Significant Decision	No
Executive summary	<p>The Annual Internal Audit Opinion, Appendix A, gives the opinion, of the Head of Internal Audit (SWAP Assistant Director) and, therefore, the officer responsible for the delivery of the internal audit function, which includes assessing the adequacy and effectiveness of internal control within Cheltenham Borough Council. The opinion is based on the adequacy of control, noted from a selection of risk-based audits carried out during the year and, other advice work on control systems including the proactive work of the service as it supports the control arrangements within change projects. The results of any external inspections also inform the opinion.</p> <p>Throughout the year we have measured the degree of control assurance within the systems or elements of systems we have audited or supported by way of control advice. Overall, the opinion is that a 'Low Substantial' assurance level can be given for the controls in place, within the areas where audit activity has taken place, to safeguard these systems which in turn support the delivery of the Council's overall business objectives.</p> <p>Where operational control issues were raised, the risks associated with the control issues raised, in the audit reports, are being actively managed by the responsible Management.</p> <p>Due to the information contained in The Internal Audit Annual Opinion, it is deemed unnecessary to submit a separate quarterly monitoring report. Instead, we have produced a condensed version of the usual report which contains a summary of the work concluded since the last meeting of this Committee.</p>
Recommendations	The Audit, Compliance and Governance Committee considers the report and makes comment on its content as necessary
Financial implications	<p>There are no financial implications arising from the report</p> <p>Contact officers: Gemma Bell, Head of Finance Gemma.Bell@cheltenham.gov.uk</p>
Legal implications	<p>None specific arising from the report</p> <p>Contact officer: One Legal – legalservices@onelegal.org.uk 01684 272012</p>
HR implications (including learning and organisational)	<p>There are no direct HR implications arising from the content of the report. Contact officer: Julie McCarthy, HR Manager- Operations Julie.McCarthy@publicagroup.uk, 01242 264355</p>

development)	Page 10
Key risks	That weaknesses in the control framework, identified by the audit activity, continue to threaten organisational objectives, if recommendations are not implemented.
Corporate and community plan Implications	“Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.” (Chartered Institute of Internal Auditing UK and Ireland). Therefore; the internal audit activity impacts on corporate and community plans.
Environmental and climate change implications	Relevant to particular audit assignments and will be identified within <i>individual reports</i> .
Property/Asset Implications	<p>None specific arising from the report</p> <p>Contact officers: Paul Jones, Director, Assets and Finance Paul.Jones@cheltenham.gov.uk, 01242 264365</p>

1. Background

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- 1.1** The report outlines how the Internal Audit function has supported the Council in meeting the requirements of the Accounts and Audit (England) Regulations 2015. These state that: “A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”
“A relevant authority must conduct, each financial year, a review of the effectiveness of the system of internal control.”
- 1.2** Under the CIPFA Public Sector Internal Audit Standards the Chief Audit Executive must deliver an Annual Internal Audit Opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. The annual report must incorporate: ☐ the opinion; ☐ a summary of the work that supports the opinion; and ☐ a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

2. Reasons for recommendations

The Council must ensure that it has sound systems of internal control that facilitate the effective management of all the Council’s functions. The work delivered by SWAP Internal Audit Services, the Council’s internal audit service in 2020/21, is one of the control assurances available to the Audit, Compliance and Governance Committee, the Senior Leadership Team, and supports the work of the external auditor.

3. Annual Internal Audit Opinion

- 3.1** ‘Low Substantial’ Assurance can be given that there is a generally sound system of internal control, designed to meet the organisation’s objectives, and that controls are generally being applied consistently. Some weakness in the design and/or inconsistent application of controls have been identified, recommendations made, and improvement plans agreed.
- 3.2** Officers from SWAP will be in attendance at the Committee meeting and will be available to address Members’ questions.

Report author	Lucy Cater, Assistant Director, SWAP Internal Audit Services lucy.cater@swapaudit.co.uk 01285 623340
Appendices	1. Annual Internal Audit Opinion 2020/21 2. Summary of work completed since April 2021

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Cheltenham Borough Council

Internal Audit Annual Opinion Report 2020/21

Internal Audit Annual Opinion – 2020/21: 'At a Glance'

Annual Opinion



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.

The Headlines

	No Significant Risks were identified during the year.
	33 reviews delivered as part of the 2020/21 Internal Audit Plan. Includes assurance, advisory and follow up reviews. 2 reviews are at draft report stage and 1 is in progress.
	Internal Audit staff redeployed directly into Council areas to assist with the COVID response. COVID 19 Business Grant processing and post payment checks.
	A number of agreed actions from 2019/20 remain outstanding, along with actions agreed during 2020/21 (some agreed actions have had time extensions due to Covid-19). We will continue to follow-up all agreed actions.
	Range of innovations and enhancements made to our internal audit process throughout the year. One-page audit report, introduction of Agile auditing and planning.

Internal Audit Assurance Opinions 2020/21

Substantial	11
Reasonable	4
Limited	0
No	0

Internal Audit Agreed Actions 2020/21

Priority 1	0
Priority 2	9
Priority 3	17
Total	26



Executive Summary

Internal Audit provides an independent and objective opinion on the effectiveness of the Authority's risk management, control and governance processes.



Purpose

The Head of Internal Audit (SWAP Assistant Director) should provide a written annual report to those charged with governance to support the Authority's Annual Governance Statement (AGS). This report should include the following:

- An opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment, including an evaluation of the following:
 - the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities;
 - whether the information technology governance of the organisation supports the organisation's strategies and objectives;
 - the effectiveness of risk management processes; and
 - the potential for the occurrence of fraud and how the organisation manages fraud risk.
- Disclose any qualifications to that opinion, together with the reasons for the qualification.
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies.
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement.
- Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria.
- Comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content and the Annual Internal Audit Opinion given.

Executive Summary

Three Lines Model

To ensure the effectiveness of an organisation's risk management framework, the Audit, Compliance and Governance Committee and Senior Management need to be able to rely on adequate line functions – including monitoring and assurance functions – within the organisation.

The 'Three Lines' model is a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:

- the first line – functions that own and manage risk.
- the second line – functions that oversee or specialise in risk management, compliance.
- the third line – functions that provide independent assurance.

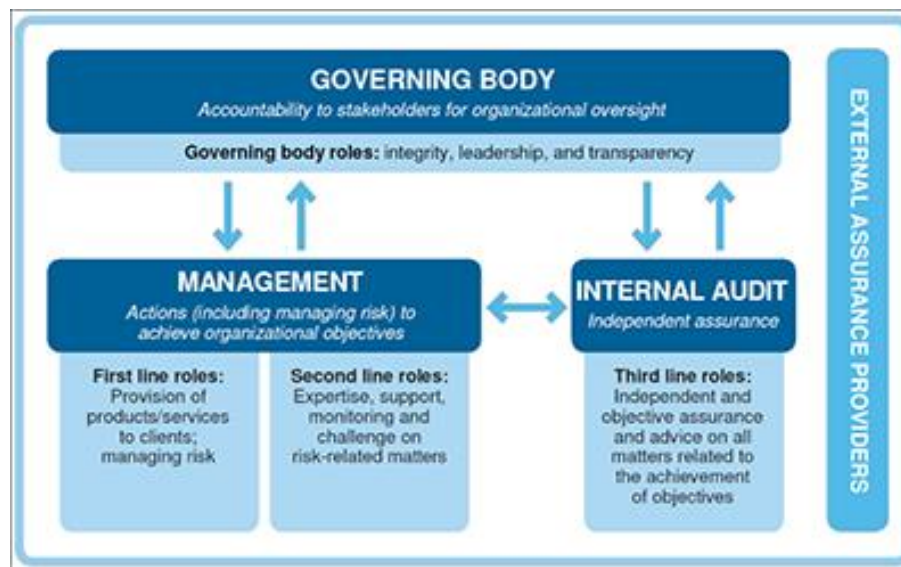


Background

The Internal Audit service Cheltenham Borough Council is provided by SWAP Internal Audit Services. The team's work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. The work of the team is guided by the Internal Audit Charter which is reviewed annually.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. This report summarises the activity of the Internal Audit team for the 2020/21 year.

The position of Internal Audit within an organisation's governance framework is best summarised in the Three Lines model shown below.



Executive Summary

The Head of Internal Audit (SWAP Assistant Director) is required to provide an opinion to support the Annual Governance Statement.



Annual Opinion

On the balance of our 2020/21 audit work for Cheltenham Borough Council, enhanced by the work of external agencies, I am able to offer a **Low Substantial Assurance** opinion in respect of the areas reviewed during the year.

Just as in more normal times, audit work has been planned to ensure that sufficient assurance will be available to support the annual opinion. The professional requirements of PSIAS have remained unchanged and in line with these, new audit priorities to cover the risks from the impact of COVID-19 have been agreed throughout the year and that work supports the annual opinion.

The additional audits performed to carry out assurance work on new risks associated with the Covid-19 emergency response were:

- *Supported the Council on data input for first round of Business Grants*
- *Audit of Covid grants*
- *Focussed analytical work – Accounts Payable, Accounts Receivable and Payroll*

Alongside direct internal audit work, the HIA can also place reliance on:

- *Work and investigations undertaken by the Council's Counter Fraud Unit*
- *Updates and PSN certification undertaken by the Council's ICT Audit and Compliance Manager*

It has been agreed to defer some of the less urgent audit work to 2021/22 and this has been reported, and is due to:

- *Additional audit work on new risks associated with COVID-19 being delivered.*
- *Some areas of the Council facing significant resource challenges as leading the Council's response to the pandemic, meaning key staff/information/systems not accessible to internal auditors.*

Executive Summary

- *Demands on internal audit for advisory and non-audit support work that may not directly support the HIA opinion.*

The following are considered key pieces of audit work that support the annual opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and control.

- *Business Continuity*
- *Continuous assurance*
- *Key financial audits*
- *Information governance and security*
- *Key front line services*

In addition, we have considered the governance and control frameworks CBC had in place to respond, monitor, and manage the organisation's resilience through the pandemic and noted the Council was one of the first in the Country to publish its Covid Recovery Strategy.

Throughout a challenging year, we have tried to ensure a balance between providing direct assistance to the Council and maintaining a continuum of audit work. We are pleased to report we have achieved this, although it must be recognised coverage is not comparable to previous or 'normal' years.

Summary of Audit Work 2020/21

Definitions of Corporate Risk

High Risk

Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

Medium Risk

Issues which should be addressed by management in their areas of responsibility.

Low Risk

Issues of a minor nature or best practice where some improvement can be made.



Significant Corporate Risks

Our audits examine the controls that are in place to manage the risks that relate to the area being audited. We assess the risk at a 'Corporate' level once we have tested the controls in place. Where the controls are found to be ineffective and the 'Corporate risk' as 'High' these are brought to the Audit, Compliance and Governance Committee attention.

We have not identified any significant corporate risks in the areas we have audited this year.

We have also continued to follow-up agreed actions made in the 2018/19 Procurement audit. Progress is being made on implementation of these actions and we will continue to follow them up. Note, updates to agreed actions have been reported throughout 2020/21 to the Audit, Compliance and Governance Committee.

Furthermore, an audit of contract monitoring and management is planned for 2021/22; the audit will provide assurance that contracts are effectively managed after the initial procurement.

Summary of Audit Work 2020/21

At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;

Assurance Definitions

No	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.
Limited	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.
Reasonable	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.
Substantial	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.



Summary of Audit Opinion

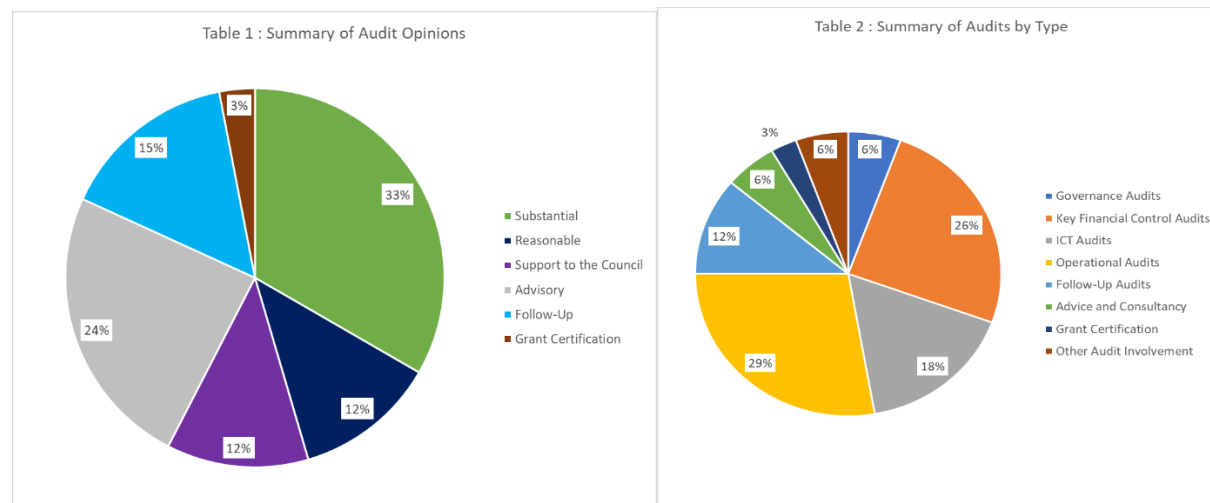


Table 1 above indicates the spread of assurance opinions across our work during the past year.

Table 2 indicates the audit work by type. Whilst assurance work is the main focus of internal audit, in a time of crisis such as the pandemic, internal audit has the knowledge and skills to be able to provide advisory work that supports the organisation through such turbulence. In addition, it was possible to progress COVID related advisory work whilst our normal assurance work was temporarily paused.

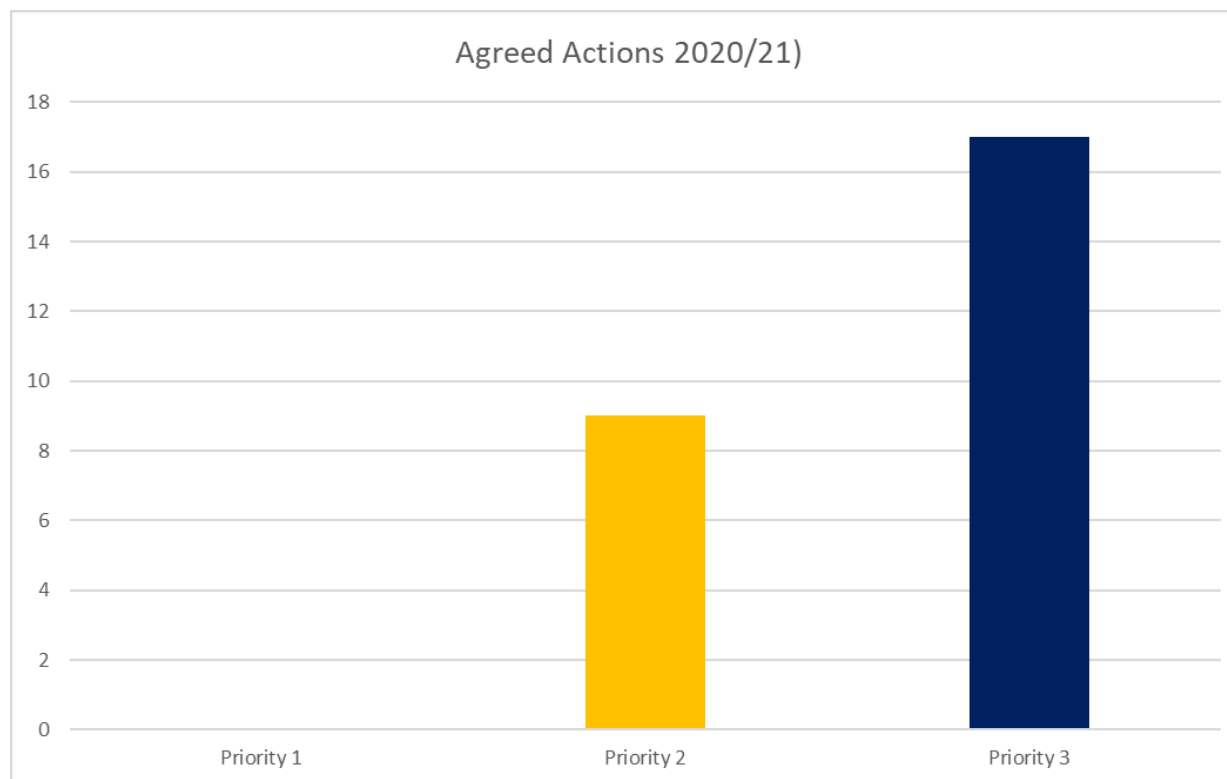
Summary of Audit Work 2020/21

SWAP Performance - Summary of Audit Actions by Priority

We rank our actions on a scale of 1 to 3, with 3 being medium or administrative concerns to 1 being areas of major concern requiring immediate corrective action



Priority Actions



Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.



Added Value

Throughout the year, SWAP strives to add value wherever possible i.e. going beyond the standard expectations and providing something 'more' while adding little or nothing to the cost.

Benchmarking

During the year we have provided benchmarking data across either the SWAP partnership or the wider reach of the Local Authority Chief Auditors Network (LACAN) for:

- Baseline Assessment of Maturity for Fraud comparison.
- Risk Management Maturity Benchmarking.
- Covid-19 Grant Controls.

Members Training

During November we ran a free Audit Committee Members training event to provide an overview of the role of the Audit Committee as well as 'hot topics' that should be on Audit Committee radars.

News Roundup

We produce a monthly newsletter that provides information on topical areas of interest for public sector bodies. During the early stages of Covid-19 we increased the frequency of our newsflash to Weekly/Fortnightly to provide relevant information.

Innovations and Enhancements to our Audit Process

During this exceptional year, we have taken the opportunity to implement and introduce a number of innovations and enhancements to our audit process. This has included:

- Introducing the concept of 'Agile Auditing' to our audit process. With increased collaboration and a joint commitment with the service under review, it is possible to complete audits faster and more efficiently. We have used this concept to complete a number of audits this year.

- Introduction of continuous audit reviews in relation to the key fundamental areas. This is a method whereby audit testing of key controls of an area or activity, is performed on a more frequent basis. It changes the audit approach from periodic reviews incorporating a small sample of transactions, to ongoing testing of a larger overall sample, with audit results produced shortly after testing. The benefits are a more reactive and timely approach to auditing which gives a continuous assurance on systems and processes throughout the year.
- With the help of SWAP's two newly appointed Data Analysts, we are looking to include analysis of data as part of our auditing wherever possible. This allows us not only the opportunity to test whole populations of data, but where this is not possible or appropriate, to be able to use data analytics to target our testing in a more effective manner.
- Introduced a new one-page audit report, that summarises all the key messages of the audit on one page for ease of consumption as well as increasing impact. Feedback on the report style has been extremely positive.
- Introduced a new continuous audit planning and risk assessment process.

Plan Performance 2020/21

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS).



SWAP Performance

SWAP's performance is subject to regular monitoring and review by both the SWAP Board of Directors and the Owners Board. The respective outturn performance results for WODC for the 2020/21 year are as follows:

Performance Target	Average Performance
<u>Audit Plan – Percentage Progress</u>	
Final, Complete, Draft and Discussion 90%	97%
In progress/Review	3%
Yet to complete	0%
<u>Customer Satisfaction Questionnaire</u>	
Feedback 95%	100%


SWAP work is completed to comply with the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Under these standards we are required to be independently externally assessed at least every five years to confirm compliance to the required standards. SWAP was recently assessed in February 2020 and confirmed that we are in conformance of PSIAS.

Attribute Standard 1300 of the IPPF requires Heads of Internal Audit to develop and maintain a Quality Assurance and Improvement Programme (QA&IP). Standard 1310 continues this dual aspect by stating that the programme must include both internal and external assessments. This acknowledges that high standards can be delivered by managers, but it also implies that improvements can be further developed when benchmarking is obtained from outside the organisation and the internal audit function. Following our External Assessment, we have pulled together our QA&IP and included additional improvements and developments identified internally that we want

to make, as aligned to SWAP's Business Plan. The QA&IP is a live document and will be regularly reviewed by the SWAP Board to ensure continuous improvement and delivery on our actions.

Summary of Internal Audit Work 2020/21

Audit Type	Audit Area	Status	Opinion	No of Actions	1 = Major		3 = Medium
					Action		
					1	2	3
Finalised and Completed Reviews							
2019/20 Audits that were In Progress or at Draft Report for 2019/20 Annual Opinion							
Key Financial Control	Accounts Receivable	Final Report	Medium Reasonable	4		1	3
Follow-Up	Procurement	Final Report	Follow-Up	N/A			
Follow-Up	Procurement and Contract Management	Final Report	Follow-Up	N/A			
Advisory	Planning Process and Complaints	Final Report	Advisory	2		2	
ICT	Business Continuity	Final Report	Medium Reasonable	1		1	
ICT	Incident Management	Final Report	Medium Reasonable	4		2	2
2020/21 Audit Plan							
Operational	Business Grant Funding – Support to Council with Data Input	Completed	Support to the Council	N/A			
Operational	Vulnerable and Shielding Residents	Completed	Support to the Council	N/A			
Advice and Consultancy	CFU Policies	Completed	Advisory	N/A			
Operational	Continuous Reporting – Core Financial Systems	Completed	Advisory	N/A			
Grant Certification	Disabled Facilities Grants	Completed	Grant Certification	N/A			
ICT	Cyber Security	Final Report	Follow-Up	5			5
Key Financial Control	Council Tax and National Non-Domestic Rates	Final Report	Low Substantial	0			

Summary of Internal Audit Work 2020/21

Audit Type	Audit Area	Status	Opinion	No of Actions	1 = Major	↔	3 = Medium
					Action		
					1	2	3
Key Financial Control	Housing Benefit and Council Tax Support	Final Report	Low Substantial	1			1
Key Financial Control	Accounts Receivable	Final Report	Medium Substantial	0			
Key Financial Control	Accounts Payable	Final Report	High Reasonable	3		1	2
Key Financial Control	Main Accounting	Final Report	Medium Substantial	0			
Key Financial Control	Treasury Management and Bank Reconciliation	Final Report	High Substantial	1			1
Key Control	Health and Safety of Staff	Final Report	Advisory	N/A			
Key Control	Human Resources	Final Report	Low Substantial	2		1	1
ICT	Deployment of Anti-Malware Devices	Final Report	Medium Substantial	1			1
Follow-Up	Property – Use of Contractors	Final Report	Follow-Up	N/A			
Operational	Asset Management	Final Report	Low Substantial	2		1	1
Operational	Planning Applications	Final Report	High Substantial	0			
Operational	Planning Enforcement	Final Report	Advisory	N/A			
Operational	E-Learning	Completed	Advisory	N/A			
Operational	Authority’s Response to Covid-19	Final Report	High Substantial	0			
Operational	Publica Support Costs	Completed	Advisory	N/A			
Operational	Governance Arrangements for Cyber Cheltenham	Completed	Advisory	N/A			

Summary of Internal Audit Work 2020/21

Audit Type	Audit Area	Status	Opinion	No of Actions	1 = Major	↔	3 = Medium
					Action		
					1	2	3
Operational	Post Payment Assurance – Small Business Grants	Final Report	High Substantial	0			
Follow-Up	Follow-Up of All Agreed Actions	Completed	Follow-Up	N/A			
Other Audit Involvement	Working with the Counter Fraud Unit	Completed	Support to the Council	N/A			
Other Audit Involvement	Management of the IA Function and Client Support	Completed	Support to the Council	N/A			

Audit Type	Audit Area	Status	Comment
Draft Reports			
Key Financial Control	Payroll	Draft Report	
ICT	Systems Admin	Draft Report	
In Progress			
ICT	Data Recovery Capabilities	In Progress	

Summary of Internal Audit Work 2020/21

Audit Type	Audit Area	Status	Comment
Audits Deferred/Removed			
Governance	Risk Management	Deferred	Request by Client to defer to 2021/22 to review Risk Maturity
Governance	Performance Management	Deferred	Request by Client to defer to 2021/22 to review Appraisal Process
Governance	Governance of Programmes and Projects	Deferred	Deferred to 2021/22
Operational	Inclusivity and Diversity	Deferred	Deferred until appropriate to Review
Operational	Publica Transformation Benefits Realisation	Removed	
Operational	Delivery of Services by Publica	Removed	

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Cheltenham Borough Council

Report of Internal Audit Activity

Summary of Work Completed since April 2021

The following information provides a brief summary of each audit review finalised since the last Committee update

Accounts Receivable – Final Audit Report – May 2021

Audit Objective

To provide assurance that there is an effective control framework in place within the Accounts Receivable function.

Assurance Opinion



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.

Number of Agreed Actions

Priority	Number
Priority 1	0
Priority 2	0
Priority 3	0
Total	0

Risks Reviewed

1. If controls in place in relation to manual allocations of income are not robust, this could result in miss-stating of income, undetected fraud and reputational damage.

Assessment

Low

Key Findings



The process carried out by the Accounts Receivable (AR) team to identify and allocate income to the correct customer account/invoice from the BAL100 suspense account is robust. As with any manual process there is the possibility of error or mistake, therefore the AR Team Leader has agreed to make quality spot-checks of these manual allocations to ensure the process is followed and payments are allocated correctly.



Continuous Assurance reports were produced on a quarterly basis by the SWAP Data Analytics Team during 2020/21 for Senior Management. In relation to Accounts Receivable, these reports included data relating to the number and value of invoices raised, subscriptions and invoices raised, and value and number of debt write-offs (both in total and by service area) with the aim of identifying any trends or anomalies.



Four recommendations were made in the 2019/20 Accounts Receivable audit. Two of these recommendations are now complete and two are still in progress – due to be complete by October 2021.

Audit Scope

The scope of this audit included a high-level review of the process used by the Accounts Receivable team for the manual allocation of payments from the BAL100 suspense account to customer accounts/invoice and the corresponding investigation process carried out to identify correct customer details.

Recommendations made during the 2019/20 audit were also followed up as part of this work.

In addition to the audit work carried out, the SWAP Data Analytics Team have also provided Continuous Assurance reports (including AR data) quarterly which were provided to Senior Management.

Background

The 2019/20 Accounts Receivable report finalised in August 2020 offered a 'Reasonable' assurance opinion. The current Accounts Receivable Team Leader was appointed in September 2020 and took responsibility for the implementation of the recommendations made during the audit. Added to the impact on staff of the pandemic, it was agreed that the scope of this audit would be focussed on one process.

Main Accounting – Final Audit Report – May 2021

Audit Objective

The objective of the audit is to assess the effectiveness of accounting and budgetary controls and contract management controls operated by service managers, ensuring compliance with financial rules and regulations.

Assurance Opinion



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.

Number of Actions

Priority	Number
Priority 1	0
Priority 2	0
Priority 3	0
Total	0

Risks Reviewed

Assessment

1. Ineffective contract management leaves the Council unable to deliver key services putting service users at risk.

Low

2. Budgetary controls are not robust, so deviations are not identified and corrected.

Low

3. There is greater risk as recommendations have not been implemented.

Low

Key Findings



There was a delay in loading opening balances into Business World mainly attributed this year to the delay with External Audit signing off the accounts. However, we identified this same issue in our previous audit. Publica have agreed that financial year-end closing balances will be carried forward on Business World no later than one calendar month from the date the accounts are signed off by External Audit.



Budget testing confirmed that the original budget approved by Council balanced with values in Business World. Budget variance testing confirmed variances had been appropriately investigated, reported and approved. Controls for budget monitoring, virements and reporting were compliant with Financial Rules.



A survey was issued to a selection of service managers with contract management responsibilities to assess budget monitoring activity undertaken. We can confirm budgets and KPI's are being monitored and managers understand their responsibilities.

Audit Scope

A review of main accounting controls for the 2020/21 financial year was carried out to assess compliance with Councils' Financial Rules and agreed actions.

The audit covered controls in the following areas:

- Contract management – Service area budget monitoring activity
- Budgetary control, monitoring and reporting
- Carried forward balances
- Previous year's recommendations.

Additional Information

The In-Tend contract management system has a facility that would further support the ongoing monitoring of KPI's which service managers may wish to make use of.

Anti-Malware – Final Audit Report – May 2021

Audit Objective

To ensure that technical solutions are managed and deployed to protect data and systems from electronic malicious attack.

Assurance Opinion



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.

Number of Agreed Actions

Priority	Number
Priority 1	0
Priority 2	0
Priority 3	1
Total	1

Risks Reviewed

Operation of the network and connected information systems is disrupted leading to the unauthorised access and disclosure, corruption and loss of information and data.

Assessment

Medium

Key Findings



We completed an Incident Management audit during 2020/21 which included a review of the response to cyber related threats and incidents. Malware is one such ongoing threat to organisations and as such anti-malware software implementations should be robust, centrally managed and provide maximum coverage of an estate of networked devices. Publica provide ICT support and security defence for the Partner Councils and utilise a 'Next-gen' Anti-Malware solution as part of the strategy to help prevent, detect, contain, and enable the initial response to attacks and infections. 'Next-gen' products are modern solutions for organisations and incorporate enhanced features such as system behavioural monitoring, machine learning and threat intelligence. Device coverage is important, and our review of endpoint installations did identify a small number of discrepancies between the anti-malware solution, Active Directory, and the software management system and whilst these are being remediated, we suggest a periodic compliance check is added to a Security Compliance control diary to ensure these issues are detected, reviewed, and remediated regularly.



Whilst our audit opinion following the assessment of the controls in place has been assessed as 'Substantial' and we take assurance that technical controls are in place and managed appropriately, it is still possible for a malware attack to be successful despite these controls. This can take the form of a '0-day' or 3rd-Party breach such as the 'Solarwinds' attack. It is therefore important the Publica ICT team continue to monitor and manage this risk to continually adapt to the persistent threats facing them and their clients.

Audit Scope

The audit scope reviewed the Anti-Malware solution and considered the following expected key controls:

- Periodic threat assessment to identify current threats and identify remediation required.
- Scanning of in and out-bound communication channels to block viruses, spam, and malware threats.
- Client endpoints are appropriately configured to block viruses, spam, and malware threats.
- Client endpoints are centrally managed and updated, and issues pertaining to connectivity and update failure are identified, reported, and remediated quickly.
- Staff awareness and prevention training.

The review was undertaken by interviewing key personnel including the Cyber Security Engineer and the ICT Audit and Compliance Manager, together with the review of documentation and evidence provided.

Additional Information

In the Incident Management Audit report, we noted that significant cyber related security incidents are widely considered to be a matter of 'when', not 'if'. A major part of an organisation's first line of defence against attempted cyber-attacks includes a satisfactorily deployed anti-malware solution across a networked estate of connected devices, combined with end-user cyber-security awareness training. It is noted that whilst new starters are subject to mandatory awareness training, the existing end-user base has not received full refresh awareness training for an extended period of time. We note the published training calendar has security awareness training planned for Quarter 4 2022, however, due to the lengthy period of time without it, coupled with current prolonged periods of remote working, bringing forward this training should be considered as part of the security strategy.

Planning Enforcement – Final Audit Report – May 2021

Audit Objective

To provide assurance the Planning Enforcement process is being applied effectively and efficiently.

Executive Summary

An assurance audit for Planning Enforcement was originally included in the agreed Audit Plan but based on our findings we have agreed with the Chief Finance Officer that an audit report at this time will not add any value. We have issued this Position Statement to inform on the current service and have provided observations for consideration by the Service Manager.

- The Enforcement Manager oversees the Senior Enforcement & Compliance Officer and Enforcement & Compliance Officer who investigate alleged breaches of planning control. They also monitor the development of sites and monitor planning conditions and legal agreements on behalf of the Council. We were advised an Officer was out of the business for a period of time during the last year so sometimes cases were not updated in a timely manner. Cases are now registered by Support Officers who also acknowledge complaints and enter them into Uniform.
- A Local Enforcement Plan and a Corporate Enforcement Policy have been adopted. The Built Environment Local Enforcement Plan (Planning) has not been reviewed since 2014. The most recent version of the Corporate Enforcement Policy has been approved but is not published on the Council website or intranet.
- Guidance and working protocols for Listed Buildings, Unauthorised Windows / Doors / Satellite Dishes and Retrospective Planning Applications have also been adopted, these documents are due for review.
- A Register of Enforcement Notices, a record of all current Enforcement cases and all Enforcement Notices Issued are maintained by the service. The Full Historic Register of Enforcement Notices published on the CBC website was from March 2019. And a new enforcement case had not been uploaded onto the Register of Enforcement Notices within 1 month of formal enforcement action being taken.
- The Enforcement Action section of the PS1/2 Government Returns is completed by the Planning Manager with data provided by the Senior Enforcement & Compliance Officer. Performance monitoring of Enforcement cases is undertaken by the service informally and is not evidenced. We would suggest enforcement cases are categorised by priority and KPIs developed. Examples of KPIs which could be considered are:
 - % of incoming complaints to be recorded and prioritised within a defined number of days
 - Acknowledge or register potential breaches within 5 working days of receipt.
 - Site visits to be completed with a defined number of days – based on different types of breaches.
 - % of enforcement cases resolved or cases resolved in a defined number of days
 - % of investigations into alleged breaches to commence within a defined number of days
- The Council website includes an online tool where a suspected planning breach can be reported, along with the Planning Enforcement teams contact details. The information on the website gives an overview of Planning Enforcement and includes a link to Gov.uk to direct the public to Government resources for further information. Public awareness training has not been provided. An overview of Planning Enforcement on the Councils' website includes a link to Gov.uk, however, some of the information referenced is from 2014. Government guidance was updated in 2019. There is a risk that residents may follow outdated guidance if they do not follow the link to Gov.uk. We would suggest that this is updated as soon as possible to ensure this risk is mitigated.
- Going forward, mobile technology is being investigated which will allow Officers to access systems whilst on site and reduce duplication and some of the delays currently being experienced. Clearview will also be used to record and monitor performance.

Conclusion

We have agreed an action plan with the Service Manager based on the above observations and suggestions. We have also agreed to re-visit the service in 2021/22 to review progress of the agreed actions.

E-Learning – Final Audit Report – May 2021

Audit Objective

To review the training courses available on the E Learning system, identifying any gaps and/or areas for improvement. Also, to suggest specific areas of learning that could be considered for completion by all staff.

Executive Summary

Cheltenham's online learning management system, Learning Pool, was launched in March 2020. In August 2020, the Executive Director, People & Change requested a review to suggest which courses CBC officers should undertake.

Discussions were held with the Publica Learning and Development Business Partner and a list of all available courses was provided. At the time there were a total of 143 courses. We were advised the full list of courses is not distributed to service managers; the Learning & Development team search the data base and suggest courses based on training requests. If a suitable course is not available then, the team will source alternative providers. It may be useful if the full list is made available (e.g., on the intranet) as this would save both time and effort for both the service managers and the Learning & Development team.

The courses on the Learning Pool ranged from core foundation courses such as Health and Safety/Risk Management, GDPR compliance to report writing/grammar & punctuation courses. A suite of courses aimed at understanding public sector arrangements was also available. Areas covered included Procurement, Freedom of Information, Disability Discrimination, HR matters, etc.

We were advised bespoke courses can be created by CBC/Publica and these can be uploaded to the Learning Pool. The system also allows the Learning & Development team to make slight edits to existing courses.

Our review confirmed there are no courses relating to basic financial / budget management. Whilst we accept that specific training can be and is provided by Publica Finance, it would be beneficial for all staff to gain a basic understanding of how local authority finances are managed. As part of the review we have suggested courses that would aid new colleagues, especially if new to the local authority environment, and courses that could be considered on an ongoing basis for both new and existing colleagues.

We suggest the content of the courses we have included in the audit should be reviewed by officers responsible for these areas before they are considered for completion. Our review was based on course titles as it was not possible for us to be given access to the online system.

Human Resources – Final Audit Report – June 2021

Audit Objective

To examine the courses available on the electronic learning system, providing assurance that staff development and compliance needs are addressed.

Assurance Opinion



A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Number of Agreed Actions

Priority	Number
Priority 1	0
Priority 2	1
Priority 3	1
Total	2

Risks Reviewed

If the e-learning system in place is not effective, staff training needs will not be met which could lead to compliance risk and staff dissatisfaction

Assessment

Low

Key Findings

	There is no documented or formalised approach to define the work expected of the Learning & Development Team to meet the aspirations of CBC and complete the planned actions included in the People Strategy, including delivery timeframes.
	Access to mandatory training is not automatically granted to or required of external partnership workers (e.g. Internal and External Audit) or temporary staff working for or on behalf of the Council, who may have access to Council network and systems and/or work on Council premises.
	There is no evidence of regular reporting to Senior Management on training completion rates. We were advised, however, that a course completion KPI is being created and added to Clearview which will then be reported to the Executive Leadership Team quarterly - starting in July 2021.
	Individual staff training needs are identified by managers using one-to-ones, and training course feedback is collected via the Learning Pool. Collating and analysing this information to identify trends could enhance training needs identification to benefit the wider Council staff.
	In March 2020, the Learning Pool was launched at CBC for both staff and Members by the Learning and Development Team. The Learning Pool is an efficient and highly functional Learning Management System which allows for customisation and tailored materials to meet the training needs of CBC.

Audit Scope

This audit included a review of the following:

- Key documents supporting the delivery of training by the Learning & Development Team, including Cheltenham Borough Council's People Strategy
- The Learning Pool – Cheltenham Borough Council's Learning Management system, including training records, management information and LMS functionality
- Course completion rates
- One-to-ones and training feedback, and how these are used to inform training and ensure the training needs of staff are met
- Mandatory training
- Management information and reporting

A separate advice-only review has been completed to review the training courses available on the Learning Pool, identifying any gaps and/or areas for improvement.

Observations and further information

- The Talent Development Business Partner covers some responsibilities of a Business Manager role in addition to his current role. The Talent Development Business Partner is now directly line managed by the Head of HR.
- An action has been included for consideration in the Publica Human Resources audit in relation to access to mandatory training for any external partnership (e.g. Internal/External Audit) or temporary staff member working for or on behalf of Publica or any of the Member Councils.

Property (Use of Contractors) – Final Audit Report – April 2021

Follow Up Audit Objective

To provide assurance that agreed actions to mitigate against risk exposure identified within the 2019/20 Limited opinion audit of Property - Use of Contractors report have been implemented.

Follow Up Progress Summary

Priority	Complete	In Progress	Not Started	Summary
Priority 1	0	0	0	0
Priority 2	3	2	0	5
Priority 3	0	0	0	0
Total	3	2	0	5

Follow Up Assessment

The original audit of Property (Use of Contractors) was completed in December 2019 and received a Limited assurance opinion. The objective of the audit was to ensure appropriate processes were in place and adhered to for the awarding and payment of both responsive and planned works. The risk reviewed was that non-compliance with the Contract Rules could result in works being awarded inappropriately, which could lead to accusations of potential bribery/corruption or wrongdoing.

The follow up audit has found 3 actions have now been completed. Key findings from the audit follow up have been summarised below.

Key Findings



Work is in progress to set up the under £10k contractor framework. Delays were experienced due to a mismatch of requirements, expectations, amendments, and resource. We were advised this will be place by the end of June 2021.



Whilst business process documentation has been completed by the Modernisation team, service procedures are not complete. We were advised full procedures would be finalised once the under £10k contractor framework is in place.



Reconciliation procedures are in place and budget monitoring activities are being enhanced. Contractors have been advised to include sufficient information on invoices to ensure swifter and appropriate payments are made, although it should be noted that officers must ensure appropriate checks are undertaken before approving payment. Separation of duties between requisitioning and approval of works is in place.

Conclusion

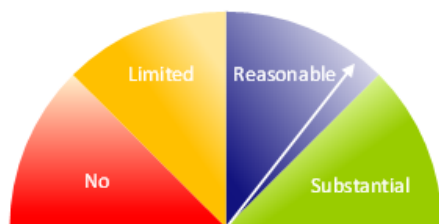
Review of evidence provided, and testing undertaken can confirm the control environment has improved since our review in December 2019. Where actions are in progress, we have agreed revised implementation dates of the end of June 2021.

Accounts Payable – Final Audit Report – June 2021

Audit Objective

To ensure the Council has an effective control framework in place for its Accounts Payable / Creditor's function.

Assurance Opinion



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.

Number of Agreed Actions

Priority	Number
Priority 1	0
Priority 2	1
Priority 3	2
Total	3

Risks Reviewed

Fraudulent, invalid, or late payments are made resulting in financial loss and / or reputational damage.

Assessment

Low

Key Findings



There is currently no way to monitor when an amendment has been made to a supplier account in Business World On!. The AP Team Leader confirmed she will escalate this with Publica Business World On System Support to find a solution.



Some of the process documentation supplied was last reviewed in 2017, and the new supplier form was not found to contain up to date guidance. We were advised documentation will be reviewed.



Sample testing found a discrepancy with one suppliers sort code, this was confirmed with the supplier over the phone. Going forward, all supplier payment details will be confirmed by the supplier in writing.



Invoice approval limits are automated and managed via Business World On! and there are 6 assigned approver levels across all clients. Payment files are independently reviewed and authorised, and since Covid-19 these are signed off electronically via email. Sample testing found all new suppliers had a new supplier form and an accompanying checklist completed to support details had been checked and approved by another Officer for accuracy and potential duplicates. The service KPI of at least 95% of all invoices being paid within 30 days of receipt is monitored quarterly, and anything under 95% is investigated by the AP Team Leader. These figures are reported quarterly to the Publica Board.

Audit Scope

A review of Accounts Payable undertaken in April 2021 covered the following:

- payment approval process
- exception reporting
- the creation, amendment and management of creditor master file data.

Discussions were held with the Publica Accounts Payable Team Leader, and processes were discussed.

The Accounts Payable Continuous Assurance reports were also analysed, and each Council's performance and trends were assessed.

Other Relevant Information

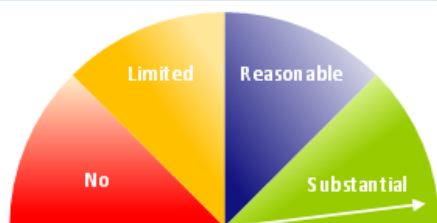
Continuous assurance work to identify duplicates is undertaken and reported to each Council on a quarterly basis. Information in these reports was further analysed and found the number and total value of payments made has seen decreases at each council compared to the previous financial year. The average number of days to pay suppliers has seen an increase at each council compared to the previous financial year. PO usage averages did not vary by more than 10% at each Council. These findings can be attributed to changes resulting from the COVID-19 pandemic and AP Officers being heavily involved in processing Covid-19 grant payments.

Authority's Response to Covid-19 – Final Audit Report – June 2021

Audit Objective

To provide assurance that the response to COVID-19 was robust and responsive to the needs of staff, customers and in line with national Government guidelines.

Assurance Opinion



A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Risks Reviewed

If the response to the COVID-19 pandemic was ineffective and lacked proper coordination, this may have resulted in a risk of service failure and reputational damage.

Assessment

Low

Key Findings

Substantial	ICT
Substantial	Health & Safety of Staff
Substantial	Key Service Delivery
Substantial	Staff Wellbeing Arrangements
Substantial	Community Response
Substantial	Emergency Response & Liaison with Appropriate Agencies
Substantial	Emergency Decision-Making Arrangements

Audit Scope

Our overarching review to address the above objective has covered the following areas:

- ICT – equipment, Data Protection considerations and arrangements to allow staff to work from home.
- H&S of staff – arrangements allowing staff to safely WFH.
- Key service delivery – arrangements in place to ensure customer access to previous face-to-face services
- Staff wellbeing arrangements.
- Community response.
- Emergency response and liaison with appropriate agencies.
- Emergency decision-making arrangements.

Background

The Cheltenham Borough Council (CBC) Executive Leadership Team (ELT) identified the COVID-19 outbreak as a potential concern at the beginning of February 2020 and started to provide updates to Councillors surrounding Business Continuity and Emergency Planning and work with the Local Resilience Forum. The ELT, headed by the CEO took control and oversight of operational decisions and communications ensuring a clear and accurate message was delivered to all concerned. The ability for staff to work remotely was facilitated at speed enabling the continuation of service. Following legislative changes, the democratic process was promptly restored by virtue of a remote 'virtual' Council. Daily updates were circulated, and tactical working groups were created to provide updates on areas including HR, ICT and Health and Safety. Using staff wellbeing surveys, ELT were able to ascertain the general feeling amongst staff and noted widely positive results. A community 'help-hub' to include the redeployment of staff was established ensuring the most vulnerable in society were supported. Under 'Team Cheltenham' the Council quickly focussed on recovery and CBC were one of the first councils to develop a recovery strategy. A recovery plan was presented to Cabinet which gained unanimous approval. In November 2020 members of the LGA completed an independent review of their response with extremely positive results. CBC have also been awarded an iESE 'Certificate of Excellence' for their partnership and community focus during the pandemic and were awarded an RTPi 'Planning Heroes in a Pandemic' award to recognise the Council's innovative approach to the relaxation of parts of planning to support business recovery.

Authority's Response to Covid-19 – Final Audit Report – June 2021

Appendix 1

Conclusions & Observations

ICT

Due to the previous rollouts of laptop computers to enable agile working and aid business continuity, the majority of Council staff were already equipped to be able to work away from the office for extended periods of time. Software solutions to enable communication over data and voice streams were already mainly in place. There was no added pressure to enable the mobilisation of an existing static workforce, however, challenges were encountered with unprecedented demand on remote working technical capacity. The ICT department responded quickly to increase capacity enabling stable remote connectivity for all staff across multiple clients to aid a continuity of service. Where necessary, approval was given to staff to obtain equipment such as keyboards, mice and monitors from the office to ensure they had the required equipment to be able to work adequately from home. We were advised that an inventory of equipment taken was recorded by line managers.

Whilst no cyber-security awareness training was mandated for all staff to re-enforce good cyber-security practices whilst working remotely, messaging was placed on the internal intranet as a reminder to staff of the cyber threats faced. As part of the 2021 Anti-Malware audit, we suggested consideration was given to bring forward full cyber-security user awareness training which is currently planned for Q4, 2022.

The ICT service extended their standard hours of IT support from 7am through to 7pm as a reflection of the increased amount of flexible working including non-standard working hours for many employees as an impact of the pandemic.

Overall, considering the pressures of the unprecedented situation caused by the pandemic, the Council was fully supported by the response of the Publica ICT service. This enabled them to continue existing services, and to handle many new issues as they arose.

Health & Safety of Staff

A questionnaire was completed by a sample of Service Managers and Team Leaders (March 2021) and we found differences between service areas on how much contact was had between staff members and their line managers. We were advised by the HR Business Partner that all staff should be having at least weekly meetings with their line manager where they can check on staff welfare whilst working from home. Results from the CBC Staff Wellbeing Survey indicated that 87% of respondents had at least weekly contact with their line manager.

All respondents to our questionnaire confirmed their staff should have access to the office equipment they needed. We were advised that when the Learning Pool went live at CBC (March 2020), the mandatory Display Screen Equipment (DSE) assessment course was rolled out to all staff. Any equipment needs identified from the DSE assessments completed were picked up and addressed by the Health and Safety Business Partner and/or HR. CBC also provided a small budget for staff who wished to purchase their own desk and all purchases were reviewed by the Health and Safety Business Partner to ensure they were DSE compliant. As of the March 2021 Learning and Development audit, the completion rate for the DSE assessment was 80%, indicating a good rate of completion. We were advised that there are a small number of staff either still working in the office or returning to the office, which may account for some of the incomplete assessments.

There were discrepancies between the service areas we contacted and whether service risk assessments had been updated in response to the pandemic. The Health and Safety Business Partner advised that a Health and Safety Group had been established, and one of the tasks for the group was to review risk assessments to ensure they are accurate.

The Municipal Building has recently undergone a refurbishment of part the ground floor where a covid secure office environment has been created, to provide officers with some flexibility. 4/5 of the respondents to our questionnaire confirmed remote working and virtual meetings will be taken forward into future working practices, the remaining Manager confirmed they were currently reviewing arrangements.

Key Service Delivery

The CBC Municipal Offices were closed to the public on the 24th of March 2020 in line with Government guidance and to help ensure the wellbeing of staff and the public. An appointment system was put in place for urgent queries that could not be resolved over the phone or online for services such as benefits, licensing and homelessness.

Customers were encouraged to contact the Council by telephone or use online services. Arrangements were made to enable customers to make payments online for a number of things, such as licensing related payments and trade/garden waste bags. Once a month, appointments were made available for those who needed to pay in cash where they were not able to make other payment arrangements. We were advised that the current arrangements are working well and the demand for face-to-face services has declined as a result of the pandemic, which will prompt a review of these before the offices are reopened to the public.

Revenues and Benefits faced increased demand and workload due to the pandemic. Housing benefit claims and requests for council tax support increased substantially as people were affected by job loss and decreased income, and the team were also impacted by an increase in working tax and universal credit notifications needing to be processed. Arrangements were put in place for claimants to be able to provide evidence by email (scanning or photographing) or by post, and new claims can be made online.

The Elections and Planning Services have still had some demand for face-to-face appointments, for viewing of planning information or the electoral roll. These have been dealt with under the appointment system as described above.

Overall, the closure of the CBC offices to the public has not caused a detrimental effect to the public. Suitable alternative arrangements have been put in place for all key face-to-face services that were available pre-pandemic, some of which may be retained going forward as they offer increased efficiency and better opportunity to manage customer expectation.

Staff Wellbeing Arrangements

There is a dedicated Workplace Wellbeing page on the CBC Staff Intranet which holds health and wellbeing related information and resources, available to all staff. This includes the CBC Wellbeing Policy and information on how to contact the Employee Welfare Service - the service through which all CBC staff can access up to 5 sessions of confidential counselling per year, funded by the Council.

Throughout the pandemic, a significant number of posts were made on the CBC intranet newsfeed to signpost staff to relevant resources and support from external sources. Video messages were periodically posted from the Chief Executive and Executive Team members, many of which included the topic of staff wellbeing. Relevant material was posted in a timely manner in relation to the pandemic itself along with both internal and Government guidance. Wellbeing related courses and information were also added to the Learning Pool, which all staff are able to access. In addition, monthly all-staff Webex meetings are held to ensure all staff are kept up-to-date and maintain a connection with their colleagues.

Staff Wellbeing Surveys have been carried out throughout the pandemic to gauge the wider feeling of staff on a range of wellbeing topics, tailored to the situation at the time of the survey. At the time of audit work (April 2021), the most recent survey had received an 82% response rate and the results were more positive than results of similar staff surveys pre-pandemic.

HR Business Partners and the CBC Health and Safety Business Partner have offered support to individuals and service managers on a range of issues and concerns raised during the pandemic. We were advised that everything raised was dealt with on a case-by-case basis, with the best support for the individual circumstances offered by the Council.

The Local Government Association Recovery and Renewal Panel report commended CBC's 'commitment to protecting wellbeing of staff' and internal communication during the pandemic.

Community Response

A review of the Council's newsfeed and a discussion with the Strategy and Engagement Manager has provided us with a good understanding of the community response. Over 50 members of staff were redeployed to support with the crisis, including directly supporting the Gloucestershire Help Hub.

In addition to COVID-19 business grant payments, the Council has also sought to support local businesses with additional Council led initiatives. Good examples of this include the relaxation of licensing requirements for eligible businesses to allow for additional outdoor space, temporary structures and A-board advertising.

The Council collaborated with the Health and Safety Executive (HSE) to contact local businesses and offered support to ensure they are Covid-secure. A series of Coronavirus Action Cards were also developed and made freely available to local businesses.

Increases were made to the Community Resilience Fund and local volunteer and charity sector organisations were helped to access funding. The Council worked with partners to ensure eligible children would get free meals during the summer holidays and support was also given to the No Child Left Behind campaign which offers practical support with home learning for children, where needed.

A vital achievement was the ability to react to the crisis by working with partner organisations such as CBH, the Cheltenham Trust, the NHS, the Police, GCC and others, to identify and respond to the needs of the community. It is recognised that the relationships built with these organisations will have a lasting future benefit for the Council.

Emergency Response & Liaison with Appropriate Agencies

Once a major incident had been declared, Gloucestershire's LRF (Local Resilience Forum) co-ordinated a multi-agency approach to the Coronavirus emergency. Regular meetings of the LRF were held and these were attended by CBC officers.

We were advised that 4 internal functional teams were set up as per the CBC Emergency Response Plan: Co-ordination, Public Protection, Welfare and Works. Internal groups were also set up to deal with COVID-19 related issues, such as a crematorium group and a health and safety group. We were advised once officers had the correct technology in place business continuity arrangements naturally ended, and some services confirmed they hadn't referred to their Business Continuity Plans at all.

It was noted that during a time of major adjustment, and the need to respond to competing pressures, some senior Publica resources were diverted to support other Publica partners and at times were not in place to support CBC. This was mitigated by the actions taken by the Council's Executive Leadership Team (ELT). ELT have recognised the very good operational support that was received from Publica in regard to HR, Health & Safety and ICT.

Local Authorities have a duty to plan for and respond to civil emergencies. Coronavirus has been an emergency unrivalled in recent times due to its wide reaching and unchartered nature. From the information provided we can assess the response has been proportionate but there was some learning as the situation changed and progressed. We were advised the Emergency Response Plan has been re-written since the start of the pandemic, and Business Continuity Plans will be reviewed in light of lessons learnt; we would agree this should be undertaken.

Emergency Decision-Making Arrangements

At the start of the pandemic and interruption of standard face-to-face Council meetings, an emergency change was made to the CBC Constitution to afford the CBC Chief Executive Officer emergency powers to make necessary decisions in conjunction with the Leader of the Council, during the absence of the normal democratic process. Decisions included the delegation of authority to council officers responsible for Licensing and Environmental Health so that they can fulfil their duties and continue service in the absence of full Council.

Government legislation was introduced to enable full Council to meet remotely during the pandemic, together with the technical solutions in already in place enabled the Cheltenham Borough Council democratic process to resume quickly.

Initial decisions made under emergency powers and delegated authority were documented and retrospectively presented to full Council on resumption of Council meetings. Subsequent decisions made by officers were in consultation with and with support of the relevant Cabinet member and are available for public viewing on the Cheltenham Democratic Website.

Our review did not find any cause for concern surrounding the decisions made or actions taken using emergency powers, delegated authority or reporting of the decisions made.

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Informing the audit risk assessment for Cheltenham Borough Council 2020/21

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit 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 your business or any 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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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Cheltenham Borough Council's external auditors and Cheltenham Borough Council's Audit, Compliance and Governance Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit, Compliance and Governance Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit, Compliance and Governance Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit, Compliance and Governance Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit, Compliance and Governance Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit, Compliance and Governance Committee and supports the Audit, Compliance and Governance Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Authority's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Cheltenham Borough Council's management. The Audit, Compliance and Governance Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2020/21?</p>	<p>COVID-19 and the associated lockdowns have had a significant impact on the financial statements for 2020/21. A recovery budget was taken to Cabinet in November 2020 to re-prioritise spend and seek approval for the disposal of a group of surplus assets to bridge the forecast budget gap over the next three years. During 2020/21, the Council has received £1.535m of COVID-19 support grant to support additional costs incurred to support the response to the pandemic. A number of income streams were also impacted, the most significant being car parking income. The Council received income of £1.563m for the year, against the budget of £4.478m as a direct result of the pandemic. The DCLG Sales Fees and Charges Support Grant has provided compensation of 75% of the loss against budget, after the 5% deductible rate has been applied.</p> <p>The estimated overspend of £100,000 reported in the Q3 monitor is planned to be met from general balances. The Council will seek to replenish the general balances and other earmarked reserves from future allocations of government support.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by Cheltenham Borough Council?</p> <p>Have there been any events or transactions that may cause you to change or adopt new accounting policies?</p>	<p>The appropriateness of accounting policies are considered annually by the S151 Officer and Head of Finance as part of the preparation of the statements of account. These are reviewed by the Audit Compliance and Governance Committee each year, who also consider the impact on accounting policies in future years as a result of changes in the CIPFA Code of Practice.</p> <p>There are no material changes to accounting policies which will impact on the 2020/21 accounts. The change in the International Financial Reporting Standard 16 in relation to leases, to be introduced in 2021/22, is not expected to have a material impact on the 2020/21 financial statements.</p>
<p>3. Is there any use of financial instruments, including derivatives?</p>	<p>No</p>
<p>4. Are you aware of any significant transaction outside the normal course of business?</p>	<p>No</p>

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	The impact of COVID-19 on the
6. Are you aware of any guarantee contracts?	No although in the case of local authority owned companies (Publica, Ubico and SWAP), the Council is obliged to cover liabilities if they operate with a loss.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by Cheltenham Borough Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>The Council's legal provider is One Legal which is a shared service between the Council , Gloucester Council, Tewkesbury Borough Council and Stroud District Council who joined in 2020.</p> <p>During 2020/21, specialist external legal support was engaged in respect of planning inquiries, property regeneration and property disputes and such advice continues as at April 2021. Details of those solicitors utilised by the Council can be obtained through One Legal.</p>

General Enquiries of Management

Question	Management response
9. Have any of the Cheltenham Borough Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Arlingclose - Treasury Management advisors Ernst & Young - general VAT advice Arthur J Gallagher - Insurance broker advice Savills - property advice Bruton Knowles – property valuation

Fraud

Issue

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit, Compliance and Governance Committee and management. Management, with the oversight of the Audit, Compliance and Governance Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit, Compliance and Governance Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Cheltenham Borough Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit, Compliance and Governance Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit, Compliance and Governance Committee oversees the above processes. We are also required to make inquiries of both management and the Audit, Compliance and Governance Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Cheltenham Borough Council's management.

Fraud risk assessment

Question	Management response
<p>1. Have Cheltenham Borough Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p>	<p>The council has a robust financial control framework and risk management process, supported by financial regulations, schemes of delegation and an independent Internal Audit function and Counter Fraud Unit. Responsibility for ensuring that fraud and corruption risks are managed sits with the Executive Director Finance and Assets and internal processes require managers to manage all risks within projects and services with escalation to the corporate risk register (where appropriate) which is reviewed monthly by the Executive Leadership Team prior to circulation to Cabinet. All reports to committees require financial, legal, HR and property implications and risks to be identified.</p> <p>The Audit, Compliance and Governance Committee also approves the risk-based annual audit plan of core financial systems and possible areas where fraud may be a risk. The Committee also approves the work plans of the Counter Fraud Unit (CFU) which are developed in consultation with Internal Audit and Senior Management based on current fraud trends. Any risks identified would be reported to the Executive Leadership Team and the Audit, Compliance and Governance Committee as part of the reporting cycle.</p> <p>The finance team comprises qualified accounting officers who are responsible for regular monitoring of accounts to report income and expenditure against budgeted spend. This process includes the review of any variances with senior management and service leads to identify any instances of fraud or abuse.</p> <p>The CFU is a permanent shared support service tasked with minimising fraud and abuse of public funds, reporting directly to the Executive Director Finance and Assets (Section 151 Officer). The Counter Fraud and Anti-Corruption Policy, the Whistleblowing Policy, and the Internal Audit Charter are formally agreed by the Council (at a meeting of the appropriate Committee/Executive). These documents set out the role of Internal Audit in the prevention and investigation of fraud and as such the work plan and any risks identified are linked to financial reporting.</p>

Fraud risk assessment

Question	Management response
<p>1. Cont.</p> <p>How do the Authority's risk management processes link to financial reporting?</p>	<p>The work of the Counter Fraud Team is reported to the Audit, Compliance and Governance Committee on a biannual basis. The overall remit is to prevent, detect and deter the abuse of public funds within the Council by working closely with other public sector organisations. The team can undertake reactive investigation work where a referral is received and where necessary, proactive fraud drives in high risk areas. Internal investigations have taken place by the Counter Fraud Unit and appropriate action has been taken and reported where appropriate.</p> <p>Where an investigation takes place due to the suspicion of fraud, any areas of risk or poor control that are identified will also be reported to the appropriate manager with remedial recommendations. Internal Audit will include a follow up audit in the Audit Plan to ensure the recommendations have been implemented.</p> <p>The Council also employs a number of Enforcement Officers within the various service areas who undertake work to tackle abuse of public funds.</p> <p>The risk registers are used to identify cost or resource pressures or income streams and any significant risks.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>The categories most at risk within a Council are:</p> <ul style="list-style-type: none"> Assets - housing stock / rental properties. Revenue - streams such as Council tax, Business Rates and rental income. Grants / Benefits – Business Grants, Council Tax Reduction Scheme (and Housing Benefit), Track and Trace Support Payments Expenditure - procurement and contract management.

Fraud risk assessment

Question	Management response
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Cheltenham Borough Council as a whole or within specific departments since 1 April 2020?</p> <p>As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Any instances of actual, suspected or alleged fraud, error or other irregularities that are identified are reported to the Executive Leadership Team and the Audit, Compliance and Governance Committee.</p> <p>Benefit fraud is dealt with by the DWP. Abuse of the Council Tax Reduction Scheme is supported by the Revenues and Housing Support Department.</p> <p>The Counter Fraud team investigate allegations of wrongdoing. These matters are managed in line with Council's policies, including disciplinary policy, and will be reported to the police where appropriate.</p> <p>The Counter Fraud Unit is conducting a number of investigations in relation to abuse of public funds within or against the authority. This includes allegations of Tenancy Fraud with the Council's arms- length organisation, Cheltenham Borough Homes and this is reported fully to Audit and Risk Committee at Cheltenham Borough Homes and in summary to Audit, Compliance and Governance Committee at Cheltenham Borough Council..</p> <p>In some instances recommendations have been made in respect of control procedures and reports are issued to the appropriate Service Leads and Governance Group.</p> <p>The Audit, Compliance and Governance Committee approves the risk based Annual Audit Plan which includes a risk based system audit of core financial systems and resources for auditing non financial systems on a risk basis.</p> <p>The Counter Fraud team has a similar annual plan for its work which includes an allocation of resources to investigate any alleged fraud. Performance against the Internal Audit Plan and Counter Fraud Plan and any specific issues identified are reported quarterly/half yearly to the Audit, Compliance and Governance Committee. The Council's Overview and Scrutiny Committee also receives the Council's quarterly performance reports, which includes risk registers and financial performance.</p>

Fraud risk assessment

Question	Management response
<p>4. Have you identified any specific fraud risks?</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Cheltenham Borough Council where fraud is more likely to occur?</p>	<p>The main areas of abuse relate to fraud associated with benefits to include the Councils Council Tax Reduction Scheme although reviews and verification processes within CBC keep this to a minimum. In addition abuse relating to Council Tax and Business Rates avoidance / evasion affects a main revenue stream and due to the pandemic, abuse of Business Grants is a significant fraud risk area.</p> <p>Housing and Tenancy Fraud is a high risk as Cheltenham BC retains a housing stock. Some high risk areas are no longer within the domain of the Council - depot services are managed by Ubico, leisure matters are managed by The Cheltenham Trust.</p> <p>There are low risk internal areas such as mileage expense abuse but this is not significant due to the small geographical area that CBC covers. Recruitment and payroll are also areas which are open to abuse.</p> <p>Procurement fraud, specifically within departments such as Property Services, remains an area susceptible to abuse because of the significantly high levels of expenditure.</p> <p>Regarding external fraud, both Internal Audit and the Counter Fraud Unit have undertaken work around serious and organised crime which is recognised as a significant issue affecting Cheltenham.</p> <p>Cyber related crime remains a significant risk for the Council and this is managed and reported by the ICT Team.</p> <p>It cannot be stated that fraud will not occur, but I would not consider one area being significantly at risk. I would add that there is a current increased risk of fraud across the Council due to the pandemic, especially with the payment of Business and Community Grant payments</p>

Fraud risk assessment

Question	Management response
<p>5. What processes do Cheltenham Borough Council have in place to identify and respond to risks of fraud?</p>	<p>The existence of the CFU as a permanent dedicated service significantly mitigates fraud risk generally. The overall remit is to prevent, detect and deter the abuse of public funds within the Council by working closely with other public sector organisations and referring to recommendations by the Home Office and other professional bodies. The team undertakes reactive investigation work where a referral is received and where necessary, proactive fraud drives in high risk areas.</p> <p>The CFU have contracts to deliver services to CBH, the ALMO responsible for the stock and more recently The Cheltenham Trust.</p> <p>We have promoted and introduced processes for internal and external reporting for both staff and by members of the public. Whistleblowing is becoming more effective as a result.</p> <p>There are many financial controls around the validity and payment of invoices and we are working with re recruitment controls in place to ensure all new employees are vetted properly and that staff recognise fraudulent qualifications</p> <p>Work is developing in relation to gifts and hospitality procedures and conflicts / declarations of interest by staff.</p> <p>The CFU assist with NFI data matching and undertake our own data matching exercises where risk has been identified.</p> <p>The Council also employs a number of Enforcement Officers within the various service areas who undertake work to tackle abuse of public funds</p>

Fraud risk assessment

Question	Management response
<p>6. Cont. What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>The Counter Fraud team submits data for the National Fraud Initiative (NFI) and assesses all matches for review and, where appropriate, mitigation.</p> <p>On occasions such issues have been raised by both internal and external audit as part of the audit work. Appropriate recommendations for changes to internal controls are made on these occasions for management to implement.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>There is always the potential but we believe appropriate checks and balances are in place within the teams, and through Publica Finance, to ensure misreporting does not occur.</p> <p>The Council monitors budgets to cost centre level which highlights any unexpected variances for further investigation.</p> <p>Financial rules govern what is required to be reported and controls the rules surrounding 'virement'.</p> <p>Reports produced by the CFU are subject to auditable case files held on the case management system. These reports are then scrutinised by Governance staff, Members and Executive Leadership which therefore mitigates the risk of misreporting</p>

Fraud risk assessment

Question	Management response
<p>8. How do Cheltenham Borough Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p>	<p>The Council communicates and encourages ethical behaviour and business processes of its staff and contractors through its policies and strategies including The Counter Fraud and Anti- Corruption Policy, Employee Code of Conduct and Whistleblowing policy all of which are available on the intranet site. Updates are communicated through inductions and refresher training. Staff and Member awareness sessions have been provided by the Counter Fraud Unit. Provision of refresher information and literature for new starters is being developed as are online training modules.</p> <p>Significant contracts are let following a robust process which seeks assurance from the potential contractor that the organisation has appropriate policies and processes in place. The Council monitors performance and quality and adherence to standards of service delivery. The Procurement Team have included statements on all tender / quote documentation detailing the Councils approach to modern slavery, ethical procurement and supporting local businesses.</p> <p>Publicity with regard to identified fraud and error will also be encouraged to act as a deterrent generally Through the continued work the CFU have delivered across the Council relating to awareness and through reputation, staff continue to approach the team. HR colleagues also ensure fraud reports come to the CFU for assessment.</p> <p>No significant issues have been reported in 2020/21. Staff are expected to report any concerns they have about fraud or the misuse of public funds. Any allegations received are referred to the Counter Fraud Unit for investigation. These matters are managed in line with the Council policies, including disciplinary policy, and will be reported to the Council's leadership team where appropriate. In some instances, recommendations will be made in respect of control processes.</p>

Fraud risk assessment

Question	Management response
<p>9. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Contract procurement posts, high level budget controllers/approvers, ICT staff with high level system access, Marketing Teams. Officers with significant operational financial responsibilities, such as roles in the Treasury Management team, Chief Finance Officer/Deputy Finance Officer, and roles in Revenues and Benefits are subject to regular security checks, at recruitment and then regularly every three years. Each role is assessed for the requirement to undertake post holder security checks.</p> <p>Many Local Government staff are susceptible to duress and corruption due to the nature of their duties - housing teams, council tax officers, planning staff; however there must be a level of trust within the organisation to promote a healthy working environment. Conflict of interest / declaration of interest process development to make it a more risk based one - identifying high risk staff and ensuring the correct controls are in place.</p> <p>Better recruitment checks to vet staff and prevent them entering the workplace - prevention is always the best control.</p>
<p>10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>Organisations such as CBH, The Cheltenham Trust, Ubico, and Publica all give rise to fraud risk which may affect the Council.</p> <p>Partnership working with local businesses and contractors - for example in relation to Cyber Central - increases risk.</p> <p>The CFU have contracts with all of the above named organisations to mitigate fraud risk more generally in relation to public funds rather than the Council as an individual body. Prevention methods for bribery and corruption form part of the CFU's work streams and are detailed within the Counter Fraud and Anti-Corruption Policy.</p> <p>Transparency, audit and scrutiny practices across these partnerships and more generally Local Government.</p>

Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Audit, Compliance and Governance Committee?</p> <p>How does the Audit, Compliance and Governance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>On a quarterly basis, the Audit, Compliance and Governance Committee receives monitoring reports from SWAP regarding work carried out by the internal audit team. The report details the work carried out compared to the plan, the level of assurance resulting from the audit, the key issues regarding internal controls or fraud including any breaches. Reporting includes the outcome of internal audit follow-up reviews of the implementation of audit recommendations. The CFU provides biannual updates to Audit, Compliance and Governance Committee. The report includes the future work plan and retrospective findings for comment and consideration.</p> <p>The Committee is consulted on any proposed changes to relevant Council Policy – e.g. Whistle Blowing Policy, Counter Fraud and Anti-Corruption Policy, Money Laundering Policy, RIPA Policies etc.</p> <p>Changes to the Council's Corporate Risk Register are also reported to the Audit, Compliance and Governance Committee. The Council's Overview and Scrutiny Committee also receives the Council's quarterly performance reports, which includes changes to the Council's risk registers and details of financial performance.</p> <p>The CFU would work with Executive Leadership team, Governance Group and Internal Audit to manage any internal control recommendations and the outcome would be transparently reported as above.</p> <p>The Audit, Compliance and Governance Committee exercise oversight over management processes for identifying and responding to risks of fraud and breaches of internal control through challenge of internal audit and counter fraud, monitoring the implementation of recommendations and seeking additional assurances from operational management.</p> <p>See reports presented to Audit / Overview and Scrutiny Committee.</p>

Fraud risk assessment

Question	Management response
<p>12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>The CFU has not received any referrals via whistleblowing.</p> <p>Any reports would be dealt with correctly and in line with the Whistleblowing Policy and with due consideration to sensitive referral sources. Once the investigation is complete, appropriate recommendations are made for action which may include prosecution, civil penalties, improvements to internal controls, and (where an employee is the subject), consideration of disciplinary action.</p> <p>If warranted a report would be made to the Audit, Compliance and Governance Committee and recommendations for improvements to internal controls issued to Corporate Management to be followed up by internal audit.</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>None.</p>

Law and regulations

Issue

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit, Compliance and Governance Committee, is responsible for ensuring that Cheltenham Borough Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit, Compliance and Governance Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Cheltenham Borough Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Authority's regulatory environment that may have a significant impact on the Authority's financial statements?</p>	<p>Any significant litigation claims are referred to the Council's legal services providers, One Legal who will then advise the relevant officer. The relevant officer will brief ELT / SLT / Members and notify the insurance officer as appropriate.</p> <p>Legal costs will also form part of the quarterly budget monitoring reports. Advice from the Publica Insurance Officer is used to assess level of provision held for excesses. A contingent liability will continue to be disclosed in the accounts for MMI.</p> <p>Service managers are also requested to highlight any change to the Council's regulatory environment on an annual basis. None of the responses result in any significant impact on the financial statements.</p>
<p>2. How is the Audit, Compliance and Governance Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The Audit Compliance and Governance Committee is advised by the Council's S151 Officer, Internal Audit and the Corporate Governance, Risk and Compliance officer who provide assurance regarding compliance with laws, regulation and financial rules. They bring any issues to the attention of the Committee and provide updates on progress against any appropriate action plans.</p> <p>Assurance is gained from internal controls within the audit process, VAT and treasury advisers. All of the reports to Cabinet, Council, and other Committees include HR, legal and financial implications which are completed by the relevant professional officer</p>

Impact of laws and regulations

Question	Management response
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2020/21 financial statements?	No
4. Is there any actual or potential litigation or claims that would affect the financial statements?	No
5. What arrangements does Cheltenham Borough Council have in place to identify, evaluate and account for litigation or claims?	The Council's S151 officer, Solicitor/Monitoring Officer, Chief Executive and Directors ensure that all legal requirements are met. All complete an annual assurance review which includes compliance with legislation and regulation. Service managers report to ELT any known or possible litigation or claims in their service.
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No

Related Parties

Issue

Matters in relation to Related Parties

Cheltenham Borough Council are required to disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by Cheltenham Borough Council;
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the Authority;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Authority, or of any entity that is a related party of the Authority.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Authority's perspective but material from a related party viewpoint then the Authority must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Cheltenham Borough Council's 2019/20 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and Cheltenham Borough Council whether Cheltenham Borough Council has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<p>There have been no changes to the related parties disclosed in the 2019/20 financial statements.</p>
<p>2. What controls does Cheltenham Borough Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>All Members and Senior staff are required to complete a declaration of interest annually, with the responsibility to update on a rolling basis as necessary. These declarations are reviewed by Finance as part of the production of the statement of accounts, and included as a disclosure note. A review of third party related transactions included in the Comprehensive Income and Expenditure Statement are included in a separate note to the accounts.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>The same processes and controls are in place for all significant transactions, related party or otherwise. When senior officers, Cabinet or Full Council are required to approve related party transactions then those individuals who have significant control or influence over any external parties or partners are required to declare a conflict of interest and are excluded from voting or formally endorsing the transaction.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>See 3. above.</p>

Accounting estimates

Issue

Matters in relation to Related Accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit, Compliance and Governance Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit, Compliance and Governance Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	The classes of transactions that are significant to the financial statements are give rise to an accounting estimate are all listed and documented in Appendix A.
2. How does the Authority's risk management process identify and addresses risks relating to accounting estimates?	Accounting estimates are not considered by the Authority to be a significant corporate risk in themselves but the uncertainty around them is impacted by wider operation risks. For example, the valuation of investment property is intrinsically linked to the impact of COVID-19 on the town's economy. The Corporate risk register has been reviewed as part of the preparation of the estimates and impact of wider events considered when refreshing our methodology.
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	The method, assumptions and source data for accounting estimates is reviewed annually for reasonableness in consultation with external audit. The review considers the completeness and accuracy of source data, the robustness of the assumptions and the control framework underpinning the method of calculation. Any changes would be required to be supported by a clearly evidenced justification.
4. How do management review the outcomes of previous accounting estimates?	As part of the preparation for the closure of accounts a full review of the basis, methodology and risk profile of each of the accounting estimates has been undertaken by the Head of Finance. This includes a walkthrough of the working papers and information provided to external audit to determine whether any improvements can be made or whether there are any changes in methodology required.
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	No significant changes have been made to the estimation processes in 2020/21. Minor changes have been made to the controls in place around the estimation processes including greater scrutiny from the Head of Finance. For the valuation of assets, the recommendation from external audit to re-value the entire investment property portfolio has been actioned.

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>The use of specialised skills and knowledge is considered:</p> <ul style="list-style-type: none"> • where there are high levels of uncertainty in an accounting estimate; • where information required to inform the estimate is not available to the finance team or; • where the calculation of an estimate requires expertise outside that of the finance team.
<p>7. How does the Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>A risk based approach is applied to determining the controls in place around accounting estimates. The completeness, reliability, validity and accuracy are considered when reviewing and implementing controls.</p>
<p>8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>The controls are monitored by review of information used and output of the calculations. Controls relating to estimates where a third party is used are subject to internal review within Finance.</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	<p>All working papers and calculations relating to accounting estimates are produced by the Finance Business Partner team and are reviewed by the Head of Finance.</p> <p>Our accounting policies underpinning estimates are reviewed annually by the Audit, Compliance and Governance Committee.</p> <p>The methods and models used for significant accounting estimates are also reviewed by the Audit, Compliance and Governance Committee as part of the planning process.</p> <p>The accounts, including relevant disclosures, are also reviewed by the same Committee before the draft unaudited accounts are published.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?	No other transactions, events or conditions the require significant judgement other than those in Appendix A.
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	The arrangements outlined in Appendix A are consistent with those in the prior year, with improved control activities and implementation of recommendations previously made by external audit.
12. How is the Audit, Compliance and Governance Committee provided with assurance that the arrangements for accounting estimates are adequate ?	<p>Our accounting policies underpinning estimates are reviewed annually by the Audit, Compliance and Governance Committee.</p> <p>The methods and models used for significant accounting estimates are also reviewed by the Audit, Compliance and Governance Committee as part of the planning process.</p> <p>The accounts, including relevant disclosures, are also reviewed by the same Committee before the draft unaudited accounts are published.</p>

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	Assets are generally valued on a five year rolling programme, including the HRA dwellings, and if not fully valued then a review is completed to provide assurance that there has not been a material change in the value of the asset.	The valuation results are discussed with our CBC internal valuer and supporting documentation is provided to evidence the judgements made. The finance team will review the valuations to confirm that data and assumptions have been applied reasonably and appropriately.	Yes	The high degree of uncertainty in relation to this estimate is considered and addressed through the review of comparable market and other relevant data sources to determine a reasonable estimate for the value of our land and buildings.	No
Investment property valuations	In line with IAS40, all investment properties are subject to annual valuation on a fair value basis. A valuation instruction is provided to both the internal and external valuers to summarise our requirements.		Yes	The high degree of uncertainty in relation to this estimate is considered and addressed through the review of comparable market and other relevant data sources to determine a reasonable estimate for the value of our investment property.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	Ten months of actual payroll data was provided to the actuary who use this to estimate the remaining two months of the year. These estimates will be compared to the actual contributions paid out at year end.	Data disclosed in the IAS 19 report provided by the Actuary to the Council is reviewed by the finance team for reasonableness and any unexplained variances challenged or queried with the actuary and GCC.	Yes	The degree of uncertainty in this estimate is high.. The estimate is based upon a number of factors and judgements applied by the scheme's actuary including discount rate used, rate of salary increases, and change in retirement age, mortality rates and expected return on Pension Fund Investments. Estimate are made upon judgements and conditions as seen by the actuary at a point in time.	No
Fair value estimates	The inputs are based on observable data, but where this not possible judgement is required to establish fair values based on unobservable inputs. The authority employs relevant experts to identify the most appropriate valuation techniques used.	All valuation results are discussed with the expert valuers. The finance team will review the valuations to confirm that data and assumptions have been applied reasonably and appropriately.	Yes	The main sensitivity of the estimate to the methods and assumptions would be if the category or valuation basis of an asset or an asset class was changed. Where this is the case, we would provide evidence to demonstrate why the change had been made and why the in year approach was judged to be more appropriate.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Depreciation	Depreciation is provided for all PPE with a remaining useful life and is charged on a straight-line basis as outlined in the accounting policies. PPE is recorded on the fixed asset register together with value and the remaining useful economic life.	Asset lives are included in the asset register and are updated on receipt of the valuation report received from our valuers. A detailed valuation report is provided to support the external valuers and reviewed by finance.	Yes	<p>The degree of uncertainty of the estimate is deemed to be judged.</p> <p>If the useful economic life of an asset is reduced, depreciation increases and the carrying value of an asset will fall.</p> <p>Management ensure that experts appointed are independent, professional, suitably experienced and qualified.</p>	No
Council dwelling valuations	The Council dwellings are valued on an EUV basis on a five year rolling basis. If a full valuation is not due then an uplift is applied based on the Land Registry index to determine whether there has been a material change.	See controls for land and buildings and investment property.	Yes	The uncertainty of this estimate is high. It is addressed through the use of the Land Registry index to determine a reasonable estimate for the value of the Council dwellings. If a full revaluation is not undertaken on an asset then a review will be completed to determine whether there have been any material movements.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Accruals	Accruals are based on expenditure incurred that has not yet been paid or income due that has not yet been received. Activity is accounted for in the year it takes place, not when money is paid or received. Where accruals are estimated they are based on the latest information available with the assumptions and calculations clearly documented.	All estimated accruals require a peer review. To ensure the completeness of our accruals, checks are undertaken throughout April on expenditure to ensure it is recorded in the correct period.	No	Accruals are largely based on known values, where estimates are used the level of uncertainty is not deemed to be material.	No
Provision for NNDR Appeals	The provision is based on an expected success rate of appeals submitted at 31 March and on an estimated reduction in rateable value. The expected success rate is based on previous three years data.	The provision is calculated and checked by the Business Partner Accountant.	No	There is a significant level of estimation uncertainty in relation to business rate appeals due to the volume of outstanding appeals and the sensitivity of the provision to the inputs. The value of provision is assessed using information on outstanding appeals rates.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Credit loss and impairment allowances	Collective lifetime ECL's are calculated based on the credit risk, the credit status of the instrument and whether there has been any change in the credit risk since initial recognition.	Monthly aged debt reports are produced by the Accounts Receivable team. Knowledge by the Accounts Receivables team in likelihood of recoverability and the aging of the debts.	No	The uncertainty is considered as part of the loss provision calculation at year end. We will select the point estimate based on the data available and communications with customers at year end.	There have been no changes to these methods but specific factors in the calculation will be reviewed in the light of the identified risks.
Finance lease liabilities	The calculation is based on a spreadsheet model previously reviewed by external audit.	The inputs are validated back to supporting information. The accuracy of the calculation is reviewed by the Head of Finance.	No	The uncertainty and sensitivity of the estimate is low as the inputs are agreed to supporting documentation and no judgement is used by management.	No



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Cheltenham Borough Council

Audit, Compliance & Governance Committee – 14 July 2021

Information Requests Annual Report

Accountable member	Cabinet Member Customer & Regulatory Services, Councillor Martin Horwood
Accountable officer	Darren Knight, Executive Director - People & Change
Ward(s) affected	All
Significant Decision	No
Executive summary	<p>Cheltenham Borough Council is responsible for ensuring that it meets its legal requirements under the Freedom of Information Act (2000) and the Environmental Information Regulations (2004).</p> <p>This report details the Council's handling of information requests made during 2020-21. The council has responded to 89% of requests within the statutory 20 working day deadline.</p>
Recommendations	The Audit, Compliance and Governance Committee considers the progress report and makes comment on its content as necessary.
Financial implications	<p>None</p> <p>Contact officer: gemma.bell@cheltenham.gov.uk</p>
Legal implications	<p>The Council is obliged to comply with the requirement to disclose information under the EIR and FOIA no later than the 20th day after the request was received, except in limited circumstances. Any failure to comply with the legislation may result in enforcement action by the ICO including monetary penalties, enforcement notices, undertakings, audits and prosecutions.</p> <p>Contact officer: One Legal – legalservices@onelegal.org.uk – tel no (01684) 272067</p>
HR implications (including learning and organisational development)	<p>None</p> <p>Contact officer: clare.jones@publicagroup.uk</p>
Key risks	No significant risks identified – see attached risk register
Corporate and community plan Implications	None.
Environmental and climate change implications	None.

Property/Asset Implications	None Contact officer: Dominic.Stead@cheltenham.gov.uk

Background

- 1.1 The Council is committed to Freedom of Information as an essential part of the openness and transparency of local government. The Council proactively makes available as much information as possible available on its website and also publishes all information released in response to Freedom of Information requests in the disclosure log.
- 1.2 The Council's Information Officer has recently become a fully qualified Freedom of Information Practitioner as part of our approach to continuous improvement.
- 1.3 The Council's information Officer has taken steps to improve the both the standard of handling and responses to information requests. Attention is placed on ensuring that Information requests are handled under the appropriate legislation, in particular that requests for environmental information are handled under the EIRs. There is also increased focus on the correct application of exemptions and explanation of their use to requestors.
- 1.4 Information request response times are monitored and managed. A new 15 day internal deadline has been introduced to encourage early attention to FOIs and provide a buffer for returns approaching the deadline response date. It should be noted that 2020-21 response times were affected whilst the Council's officers prioritised the Council's response to the Covid-19 pandemic, many officers were redeployed from their normal duties. This was not unique to Cheltenham Borough Council. During 2020/2021 the ICO issued the following statement:

"The ICO recognises the unprecedented challenges all are facing during the coronavirus (COVID-19) pandemic. Whilst we can't extend statutory timescales, we will not be penalising public authorities for prioritising other areas or adapting their usual approach during this extraordinary period."
- 1.5 Requests are answered by the business area responsible for the subject matter of the request, and are then quality checked by the information officer before being returned to the requestor. The responsibility for providing the information lies with the Service Manager. The information officer is available to guide and support Service Areas when responding to requests, particularly in the application of exemptions. Either the Service area or the Information Officer can request additional support from One Legal.
- 1.6 Requests are currently recorded and managed in Excel spreadsheets. In the future it is proposed that these will be managed within the digital platform which the council is in the process of procuring. This will enable automation of some elements of the current manual elements of processing, management and monitoring as well as automated reporting.

2. Statistical detail of request handling 20-21

- 2.1 The types of information that are formally treated as FOI or EIR requests and that are reflected in the following statistics are:
 - those submitted directly or passed to the Council's Information Officer; and
 - requests for information that do not reflect day-to-day business because they are usually quite voluminous or involve the collation of information from many Council services; and/or
 - the requester has asked that their request be dealt with under the FOI Act or the EIRs.

2.2 Number of requests received

In total, 610 requests for information were received in financial year 2020-21. 578 requests were handled under FOIA, 32 were handled under the EIRs.

In future years, we expect to see an increase in the number of EIRs as requests for environmental information will be identified, and recorded as such.

2020-21 information requests by service

Service Area	Number of Requests
Revenues and Benefits	96
Public and Environmental Health Team	78
Multiple service areas	42
ICT	41
CBH & Housing Services	41
Planning	38
Finance	37
HR	31
Property and Asset Management	27
Clean Green/Ubico	20
Enforcement	20
Licensing	15
Strategy and Engagement	14
Climate Change	13
Democratic Services	13
Parking	13
Green Space	12
Neighbourhood Team	12
Customer and Support Services	8
Building Control	7
Cheltenham Trust	4
Exec Director People and Change	4
Townscape	4
Bereavement Services	3
Counter Fraud	3
Exec Director Finance and Assets	3
Communications	2
Elections	2
One Legal	2
Procurement	2
Trees Section	2
Governance	1
Total	610

Performance management

2.3 2020-21 Response Timeframe Performance

Requests	No. of Requests*	No. of Requests on Time	No. of Requests Late	% On Time*	Max Response Time (days)
Multiple service areas	40	29	11	72.50%	66
Planning	36	34	2	94.44%	57
Exec Director People and Change	4	3	1	75.00%	47
Cheltenham Trust	3	2	1	66.67%	43
Finance	34	24	10	70.59%	40
Bereavement Services	3	2	1	66.67%	36
Green Space	12	11	1	91.67%	33
Property and Asset Management	25	22	3	88.00%	31
Neighbourhood Team	12	9	3	75.00%	29
Revenues and Benefits	92	83	9	90.22%	29
CBH & Housing Services	36	33	3	91.67%	28
Clean Green/Ubico	17	16	1	94.12%	27
One Legal	2	1	1	50.00%	26
Building Control	7	6	1	85.71%	26
Enforcement	20	18	2	90.00%	26
Public and Environmental Health Team	76	69	7	90.79%	26
Climate Change	13	11	2	84.62%	25
Customer and Support Services	8	7	1	87.50%	23
Parking	11	10	1	90.91%	21
Democratic Services	12	11	1	91.67%	21
Exec Director Finance and Assets	3	3	0	100.00%	20
HR	30	30	0	100.00%	20
Strategy and Engagement	14	14	0	100.00%	20
Townscape	4	4	0	100.00%	20
Trees Section	2	2	0	100.00%	20
ICT	41	41	0	100.00%	18
Governance	1	1	0	100.00%	17
Licensing	14	14	0	100.00%	15
Communications	2	2	0	100.00%	13
Elections	2	2	0	100.00%	8
Counter Fraud	3	3	0	100.00%	4
Procurement	2	2	0	100.00%	3
Total	581	519	62		

An additional 29 cases were either withdrawn or not proceeded with following requests for clarification;

these are omitted from the performance calculation.

2.4 Internal reviews and Appeals to the ICO

Where an applicant is dissatisfied with the way in which the Council has dealt with a request for information they can request an internal review. Of the requests received, only 16 (3%) resulted in an internal review being requested. The majority (87%) of all requests for review received in 2020-21 were responded to on time.

If an applicant is unhappy with the outcome of our internal review, an appeal can be made to the Information Commissioner for a decision on whether we have appropriately dealt with the request and requirement for review. There were no appeals to the ICO in 2020-21.

Report author	Contact officer: judy.hibbert@cheltenham.gov.uk and beth.cordingly@cheltenham.gov.uk
Appendices	1. Risk Assessment

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1	If the exemptions are not utilised correctly it may lead to information being inadvertently published in the public domain, which could lead to reputational damage.	Judy Hibbert	22/6/21	1	1	1	Accept				
2	If there is poor request handling it may result in ICO Interventions and ICO decision notices being issued, which could lead to reputational damage	Judy Hibbert	22/6/21	1	1	1	Accept				
3	If personal information is not correctly redacted it may lead to a data incident.	Judy Hibbert	22/6/21	1	1	1	Accept				
Explanatory notes Impact – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical) Likelihood – how likely is it that the risk will occur on a scale of 1-6 (1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability) Control - Either: Reduce / Accept / Transfer to 3rd party / Close											

Guidance

Types of risks could include the following:

- Potential reputation risks from the decision in terms of bad publicity, impact on the community or on partners;

- Financial risks associated with the decision;
- Political risks that the decision might not have cross-party support;
- Environmental risks associated with the decision;
- Potential adverse equality impacts from the decision;
- Capacity risks in terms of the ability of the organisation to ensure the effective delivery of the decision
- Legal risks arising from the decision

Remember to highlight risks which may impact on the strategy and actions which are being followed to deliver the objectives, so that members can identify the need to review objectives, options and decisions on a timely basis should these risks arise.

Risk ref

If the risk is already recorded, note either the corporate risk register or TEN reference

Risk Description

Please use “If xx happens then xx will be the consequence” (cause and effect). For example “If the council’s business continuity planning does not deliver effective responses to the predicted flu pandemic then council services will be significantly impacted.”

Risk owner

Please identify the lead officer who has identified the risk and will be responsible for it.

Risk score

Impact on a scale from 1 to 5 multiplied by likelihood on a scale from 1 to 6. Please see risk [scorecard](#) for more information on how to score a risk

Control

Either: Reduce / Accept / Transfer to 3rd party / Close

Action

There are usually things the council can do to reduce either the likelihood or impact of the risk. Controls may already be in place, such as budget monitoring or new controls or actions may also be needed.

Responsible officer

Please identify the lead officer who will be responsible for the action to control the risk.

For further guidance, please refer to the [risk management policy](#)

Transferred to risk register

Please ensure that the risk is transferred to a live risk register. This could be a team, divisional or corporate risk register depending on the nature of the risk and what level of objective it is impacting on

Cheltenham Borough Council

Audit, Compliance and Governance Committee – 14 July 2021

Annual Governance Statement

Accountable member	Cllr Rowena Hay, Leader of the Council
Accountable officer	Darren Knight, Executive Director - People and Change
Ward(s) affected	All
Key/Significant Decision	No
Executive summary	<p>The Council has a statutory duty to prepare an Annual Governance Statement (AGS) (Appendix 2) to be approved as part of the Annual Statement of Accounts.</p> <p>The AGS is for the period 1st April 2020 to 31st March 2021 and indicates how the Council is meeting the requirements of the Accounts and Audit (Amendment) (England) Regulations 2011 and, from 1st April 2015 the Accounts and Audit Regulations 2015 in relation to the publication of a Statement on Annual Governance.</p> <p>In February 2021 CIPFA published Bulletin 06, the Application of the Good Governance Framework 2020/21, which contains guidance concerning the impact of the continuing Covid-19 pandemic on governance in local government bodies and the requirements of the Delivering Good Governance in Local Government Framework 2016 CIPFA and Solace (the Framework). It also takes into account the introduction of the CIPFA Financial Management Code 2019 (FM Code) during 2020/21. This AGS has been prepared taking into account this latest guidance.</p> <p>The Audit Committee needs to satisfy itself that the AGS fairly reflects the arrangements within the Council.</p>
Recommendations	The Audit, Compliance and Governance Committee approves the proposed 2020/21 Annual Governance Statement
Financial implications	<p>There are no financial implications arising from the report.</p> <p>Contact officer: Gemma Bell, Head of Finance (Deputy Section 151 Officer)</p> <p>Gemma.Bell@cheltenham.gov.uk, 07341 780601</p>
Legal implications	<p>There are no legal implications arising from the report.</p> <p>Contact officer: One Legal</p> <p>legal.services@teWKesbury.gov.uk, 01684 272012</p>
HR implications (including learning and organisational development)	<p>There are no HR implications arising from the report.</p> <p>Contact officer: Julie McCarthy, HR Manager – Operations</p> <p>Julie.McCarthy@publicagroup.uk, 01242 264355</p>
Key risks	See appendix 1
Corporate and community plan	Good governance helps to deliver the Council aspirations to be an excellent, efficient and sustainable Council. It also ensures that risks are

Implications	identified and maintain its assets and workforce.
Environmental and climate change implications	There are no environmental and climate change implications arising from the report. Contact officer: Mike.Redman@cheltenham.gov.uk
Property/Asset Implications	There are no property implications arising from the report. Contact officer: Dominic.Stead@cheltenham.gov.uk

1. Background

- 1.1 The Council has a statutory duty to prepare an Annual Governance Statement (AGS) to be approved as part of the Annual Statement of Accounts.
- 1.2 The AGS is for the period 1st April 2020 to 31st March 2021 and indicates how the Council is meeting the requirements of the Accounts and Audit (Amendment) (England) Regulations 2011 and, from 1st April 2015 the Accounts and Audit Regulations 2015 in relation to the publication of a Statement on Annual Governance.
- 1.3 In discharging these responsibilities, the authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and including arrangements for the management of risk.
- 1.4 The authority has developed and approved a code of corporate governance, which is consistent with the core principles and sub-principles as set out in the CIPFA/SOLACE "Delivering Good Governance in Local Government: Framework (2016)" ('the Framework'). This statement explains how the authority has complied with the code and also meets the requirements of Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 (England) which requires the authority to conduct a review at least once a year on the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts.
- 1.5 In addition to this, CIPFA issued its "Statement on the Role of the Chief Finance Officer in Local Government (2015)". The Annual Governance Statement (AGS) reflects compliance with that Statement for reporting purposes. The Executive Director Finance and Assets is the Statutory Section 151 Officer (S151 Officer) for Cheltenham Borough Council.
- 1.6 In February 2021 CIPFA published Bulletin 06, the Application of the Good Governance Framework 2020/21, which contains guidance concerning the impact of the continuing Covid-19 pandemic on governance in local government bodies and the requirements of the Delivering Good Governance in Local Government Framework 2016 CIPFA and Solace (the Framework). It also takes into account the introduction of the CIPFA Financial Management Code 2019 (FM Code) during 2020/21. This AGS has been prepared taking into account this latest guidance
- 1.7 The Audit Committee needs to satisfy itself that the AGS fairly reflects the arrangements within the Council.

2. Reasons for recommendations

- 2.1 The Final AGS will form part of the Annual Statement of Accounts. Under the CIPFA Public Sector Internal Audit Standards the chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion, and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme

3. Alternative options considered

3.1 None.

4. How this initiative contributes to the corporate plan

4.1 Compliance.

5. Consultation and feedback

5.1 The AGS has been consider by the Executive Director – People and Change, Chief Executive, Leader of the Council and the Corporate Governance Group.

Report author	Contact officer: Ann Wolstencroft, Governance Manager, Ann.Wolstencroft@cheltenham.gov.uk, 01242 264158
Appendices	<ol style="list-style-type: none"> 1. Risk Assessment 2. Annual Governance Statement

Risk Assessment – Appendix 1

Risk Ref	Risk Description	Risk Owner	Impact score (1-5)	Likelihood score (1-5)	Initial raw risk score (1 - 25)	Risk Response	Controls / Mitigating Actions	Control / Action Owner	Deadline for Controls/ Actions
	If the Council fails to have an effective review of its governance arrangements then there is a risk that it will not maintain its good conduct and high ethical standards.	Darren Knight	4	2	8	Reduce the Risk	<p>Ensure all certificates of assurance are collected from partner organisations and reviewed.</p> <p>Ensure all employee declarations are collected and reviewed annually.</p> <p>Ensure Director statements of assurance are collected and reviewed and</p> <p>Ensure all Audit requirements are in place.</p> <p>Ensure all Counter Fraud requirements are in place</p>	<p>Ann Wolstencroft</p> <p>Ann Wolstencroft</p> <p>Ann Wolstencroft</p> <p>Paul Jones</p> <p>Paul Jones</p>	<p>Annually Completed 2021</p> <p>Annually Completed 2021</p> <p>Annually Completed 2021</p> <p>Ongoing</p> <p>Ongoing</p>



CHEL TENHAM

BOROUGH COUNCIL

Annual Governance Statement 2020/21

Section 1 - Scope of Responsibility

Section 2 - Purpose of Governance Framework

Section 3 - Governance Environment

Section 4 – Impact of COVID19

Section 5 - Principles

Section 6 - Review of Effectiveness

Section 7 - Significant Governance Issues during 2019/2020

Section 8 - Significant Governance Issues during 2020/2021

Section 9 - Approval of Leader and Chief Executive

Cheltenham Borough Authority (“the authority”) is responsible for ensuring that:

- Its business is conducted in accordance with the law and proper standards;
- Public money is safeguarded and properly accounted for
- Public money is used economically, efficiently and effectively; and
- There is a sound system of governance, incorporating the system of internal control and risk management

The authority has a Best Value duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging these responsibilities, the authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and including arrangements for the management of risk.

The authority has developed and approved a code of corporate governance, which is consistent with the core principles and sub-principles as set out in the CIPFA/SOLACE “Delivering Good Governance in Local Government: Framework (2016)” (‘the Framework’). This statement explains how the authority has complied with the code and also meets the requirements of Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 (England) which requires the authority to conduct a review at least once a year on the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts.

In addition to this, CIPFA issued its “Statement on the Role of the Chief Finance Officer in Local Government (2015)”. The Annual Governance Statement (AGS) reflects compliance with that Statement for reporting purposes. The Executive Director Finance and Assets is the Statutory Section 151 Officer (S151 Officer) for Cheltenham Borough Council.

In February 2021 CIPFA published Bulletin 06, the Application of the Good Governance Framework 2020/21, which contains guidance concerning the impact of the continuing Covid-19 pandemic on governance in local government bodies and the requirements of the Delivering Good Governance in Local Government Framework 2016 CIPFA and Solace (the Framework). It also takes into account the introduction of the CIPFA Financial Management Code 2019 (FM Code) during 2020/21. This AGS has been prepared taking into account this latest guidance.

2. Purpose of Governance Framework

The governance framework comprises the systems, processes, culture and values, by which the authority is directed and controlled including activities through which it is held accountable by, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to:

- Identify and prioritise the risks to the achievement of the authority's policies, aims and objectives;
- Evaluate the likelihood of those risks occurring;
- Assess the impact should those risks occur; and
- Manage the risks efficiently, effectively and economically

The governance framework has been in place at the authority for the year ended 31 March 2021 and up to the date of approval of the Annual Statement of Accounts. It should be noted that any changes to CBC arrangements due to COVID19 and the impact on our governance are recorded in this document.

3. Governance Environment

The key elements of the authority's governance arrangements are outlined in the Local Code of Corporate Governance. The governance framework includes arrangements for:

- Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users;
- Reviewing the authority's vision and its implications for the authority's governance arrangements;
- Measuring the quality of services for users, ensuring that they are delivered in accordance with the authority's objectives and ensuring that they represent the best use of resources;
- Defining and documenting the roles and responsibilities of the executive (Cabinet), non- executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication;
- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff;
- Reviewing and updating Financial Rules, Contract Rules, Constitution, Scheme of Delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls required to manage risks;
- Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained;
- Ensuring the authority's financial management arrangements meet the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015);
- Undertaking the core functions of an Audit Committee, as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities;
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that

expenditure is lawful;

- Whistleblowing referrals and for receiving and investigating complaints from the public;
- Identifying the development needs of members and senior officers in relation to their strategic roles, supported by the appropriate training;
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation; and
- Incorporating good governance arrangements in respect of partnerships, including shared services and other joint working and reflecting these in the authority's overall governance arrangements.

4. Impact of COVID19

COVID19 has had a significant impact on the way we worked during 2020/21. Reduced capacity due to redeployment of resources and those shielding, constraints resulting from home working, social distancing and the financial impact of the pandemic has led to changes in the way CBC operated.

Whilst these changes were significant to the way we operated within a very short space of time CBC put in place a number of measures to ensure there was minimal impact on the governance of the organisation.

From a financial perspective to monitor the impact of COVID19 CBC provided the Ministry for Housing, Communities and Local Government (MHCLG) monthly financial information through the online reporting system DELTA.

Despite the impact of COVID19, CBC was able to effectively maintain services through its business continuity arrangements, support the emergency response efforts in conjunction with the Local Resilience Forum and lead recovery efforts into 2021.

As a result of CBC's efforts during 2020/2021, the Council won two national awards; the Royal Town Planning Institute (RTPI) award for Planning Heroes in a Pandemic and the iESE Transformation Award in the Working Together category. CBC was one of the first Councils in the UK to publish its Recovery Strategy back in May 2020.

2020/2021 was a hugely challenging year and a significant test of our business continuity arrangements, emergency response and recovery efforts. As part of our commitment to continuous improvement SWAP Audit undertook a review of CBC's Response to COVID-19 which resulted in a 'substantial' audit assurance opinion.

Changes made during 2020/21 as a result of COVID19 and their impact/effectiveness are listed underneath each of the principles.

5. Principles

The main areas of the authority's governance framework, and the key evidence of delivery, are set out over the next pages under the headings of the core principles and sub-principles from the CIPFA/SOLACE "Delivering Good Governance in Local Government: Framework (2016).

Principle A

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

- The roles and responsibilities of Members and all holders of an office are set out in the authority's Constitution. The Constitution also sets out how decisions are made and the procedures that are followed to ensure these are efficient, transparent and accountable to local people. The Constitution is supported and underpinned by a Code of Conduct for Members', Code of Conduct for Employees and a Protocol for Member/Officer Relations.
- On 23 March 2020 CBC full council agreed, in advance of anticipated emergency Government legislation, to make arrangements for continuity of decision making by temporarily making changes to the Council's Constitution.
- These proposed changes, documented in the council report, were necessary to enable decisions to be taken on non-executive and regulatory functions via temporary changes to the scheme of delegation.
- The alternative arrangements put in place did not override the requirement for decisions to be made within the legal framework of the Local Government Act 1972 and other legislation.
- Throughout this period officers continued to seek legal advice prior to making any decisions and the process and procedures for recording decisions still applied to ensure open and transparent decision making. CBC continued to publish decisions taken and those decisions were still subject to the call-in process and on 15 June 2020 a report went to council outlining urgent decisions which had been taken during the emergency.
- Within 6 weeks from the start of lockdown all members were rapidly given laptops to enable CBC council and committee meetings to continue online with the first virtual meeting taking place on Thursday 14 May. This enabled the democratic process and decision making to be rapidly restored. The Public have the ability to access all meetings on the CBC YouTube channel.
- New rules were introduced for online meetings with members having to be seen on camera at all times to ensure meetings were quorate, they had to be shown for all parts of the debate prior to voting for/against recommendations with each member canvassed individually for their vote.
- The Code of Conduct for Members' requires declarations at meetings to be made by Members where necessary and these declarations are recorded in the minutes of the meeting. This has continued to happen as part of our online meetings with any declarations made and recorded in the minutes.
- The authority has a Standards Committee to maintain and promote high standards of conduct by observing and monitoring the operation of the Code of Conduct for Members'. Any concerns about

conduct raised throughout the year 2020/21 **Page 103** be dealt with through online meetings and email.

- Statutory Officers' responsibilities are defined in the Constitution and are employed in accordance with statutory guidance.
- The Executive Director Finance and Assets leads the promotion and delivery of good financial management through the Executive Leadership Team, attendance at Council, Cabinet and Committee meetings and organises specialist workshops/training for officers and Members as appropriate and as part of the member induction programme following borough elections every 2 years. Induction is open to all members.
- Due to the financial impact of COVID19 a revised budget was presented and approved by full Council in November 2020 by the Executive Director of Finance and Assets.
- Registers of interest are completed by Members and officers and a register of gifts and hospitality is maintained. Declarations of interest are declared and recorded at meetings.
- The Monitoring Officer and Executive Director Finance and Assets are members of the authority's Executive Leadership Team and meet with the Chief Executive to discuss any matters relevant to their statutory functions.
- Internal audit reviews are designed to ensure services are complying with internal and external policies and procedures / statutory legislation. Where non-compliance is identified, this is reported to management and to Members via the Audit, Compliance and Governance Committee.
- Whistleblowing Policies are in place.
- We work with a Gloucestershire wide Counter Fraud unit to help prevent and detect fraud and corrupt practices, including abuse of position. The service reports to Audit, Compliance and Governance Committee twice a year. Throughout 2020/21 the Counter Fraud unit have been working closely with our Revenues and Benefits team to ensure that all discretionary grant schemes put in place as a result of COVID19 have sufficient pre and post payment checks and controls in place to give assurance that the COVID19 business grants were paid to eligible business.
- During the COVID19 pandemic CBC recognised the leadership role it had in the community. As well as providing emergency support to people and communities through the 'Community Support Hub' the communication team recognised they had a role to play to ensure people upheld COVID regulations. As well as passing on key Government and County Council messages where appropriate an on street presence was established to remind and support CBC businesses and residents on rules around COVID19 safety and social distancing measures.
- During the pandemic CBC launched a number of new communication campaigns designed to not only remind people of key COVID19 messages but also to recognise the effort their residents had been making to comply with COVID19 regulations. The Council's external communications were recognised as examples of best practice by CommsHero and Commscreatives, two leading edge communications companies.

Principle B

Ensuring openness and comprehensive stakeholder engagement

- The annual accounts are published in a timely manner and in accordance with specified timescales so

that the financial position and performance is open to public scrutiny. COVID19 changed reporting timescales during 2020/21 but CBC continued to meet all deadlines and requirements.

- Committee meetings, agendas and minutes are published in accordance with the Forward Plan and publication of agendas is done in accordance with the Local Government Act 1972. Where statutory timescales are not met then the appropriate consultation takes place with the Chair of the Overview and Scrutiny Committee with regard to call-in. Council, Cabinet and Committee reports clearly outline their purpose, so the public can understand what the decision is aiming to achieve. Reports also address financial, legal, equalities, risk and sustainability implications to aid Members in their decisions making.
- Members and the public are able to ask questions at Council, Cabinet and the Overview and Scrutiny Committee. Public questions can be asked at other committee meetings, e.g. Audit, Licensing and Planning. All meetings are held in public unless exempt business is under discussion. This continued during 2020/21 and COVID19 although the public had to watch all proceeding via the CBC YouTube channel.
- Members of the public are able to speak at Planning Committee although during 2020/21 this was via an online link sent to them via the CBC democratic services team.
- Overview and Scrutiny committee promotes open and transparent decision-making, democratic accountability and holds the Cabinet to account for its decisions.
- Following the independent review undertaken in 2019-20 of the Overview and Scrutiny committee implementation of the action plan continued throughout the year with all actions now being completed.
- At the start of the pandemic all partner stakeholders Publica, Ubico, The Cheltenham Trust and Cheltenham Borough homes were involved in all of our Business Continuity meetings to ensure they were supported and we consulted on the best way to continue providing services.
- As part of the budget setting process consultation takes place through the authority's website and by attendance at meetings of the parish councils and business community by the Executive Director Finance and Assets and Cabinet Member Finance / Leader of the Council. During 2020/21 all such interactions were all undertaken online and through telephone calls.
- Engagement with staff happens in a number of ways; whole authority staff sessions, directorate team meetings, monthly managers meetings and one-to-one meetings. During 2020/21 the impact of COVID19 meant all of these interactions continued but were undertaken via our WebEx system. As well all of the meetings above during the first eight months of the pandemic weekly information bulletins were sent to all staff, members and partners updating them on the latest CBC news as well the latest pandemic information for our Borough.
- Outside the budget process, engagement and consultation with the public is undertaken through public meetings, surveys and other mechanisms as required throughout the year or around specific topics, e.g. Cheltenham Plan. During the initial stages of the pandemic no consultations were undertaken other than online however, as restrictions eased appointments were made so individuals could come to the municipal offices to view plans etc.
- A Statement on Community Involvement is approved which sets out the opportunities by which the public and organisations can engage with the planning system, including the procedures and methods used to consult on planning applications.
- Performance against the corporate plan is monitored via Overview and Scrutiny and reported on an annual basis to Cabinet.
- During 2020/21 additional meetings (every two weeks) with the Leader and Lead Member for Finance were undertaken to ensure the financial impact of COVID19 was monitored, discussed and managed.
- Transparency data is published on the website and includes supplier payments, senior management

structure charts, annual pay policy statement, paygap report for the previous financial year. Where data is not available in the published data sets, instructions are available on how to make a Freedom of Information Request and the procedure that will be followed to answer the request.

- In November, the Local Government Association (LGA) took part in a mini form of peer review through a Renewal and Recovery Panel to provide feedback on the Council's emergency response and recovery efforts. This report was published and is available on the Council's website.

Principle C

Defining outcomes in terms of sustainable economic, social, and environmental benefits

- The vision for Cheltenham is articulated in the Cheltenham Place Vision document. The vision sets out the ambitions, aspirations and actions that the authority, together with its key partners, will take to bring about a thriving town in terms of businesses and their workforces, culture and creativity, people and communities. During COVID19 our Marketing Cheltenham team supported CBC through the delivery of key COVID19 messages as well as supporting businesses as rules were relaxed.
- Our Corporate Plan sets out the authority's purpose, principles and priorities for the future. Guided by an agreed set of principles the priorities in the plan were developed to make the biggest difference to Cheltenham's communities, businesses and residents, in line with Cheltenham's place vision. This plan is now supported by our COVID19 recovery strategy (see below).
- As with all areas of the world COVID19 has had a substantial impact on our town and visitor economy. In May 2020 the Cabinet put in place a new recovery strategy for CBC. This strategy does not replace our Place Vision or Corporate Plan but compliments these strategic documents by defining our priorities and a 'Local New Deal' for Cheltenham.
- In response to the initial lockdown during 2020 to ensure the most vulnerable were supported, we rapidly established a community 'help-hub'. Working with Gloucestershire County Council, supported by Cheltenham Borough Homes and The Cheltenham Trust (TCT) we re-deployed staff to support hundreds of vulnerable residents to ensure they had the essentials of food, their prescriptions, as well as to hear a friendly voice. With our well-established community connections and Councillor insight, we gathered intelligence from across the town, swiftly realising that local food banks were struggling to meet demand. Therefore, the Mayor's Foodbank fund was established and raised thousands of pounds. Combining our community grant funding with additional funding from Gloucestershire County Council we were able to give funding grants to those charities/community groups that were providing essential support for the most vulnerable.
- The Borough has a statutory development plan in place made up of the Gloucester, Cheltenham and Tewkesbury Joint Core Strategy (adopted 2017) and The Cheltenham Plan (adopted 2020), together these plans make provision for the long term growth of our area delivering sustainable, social and environment benefits across the Borough. A review of the JCS is underway and Cheltenham continues to work collaboratively with its partners Tewkesbury Borough and Gloucester City on development plan formulation and its delivery. We await guidance from government arising from the recent White Paper that will drive fundamental reforms of the planning system; this guidance is expected later this year.
- Following the Council's Cabinet formally declaring a climate emergency in July 2019 in 2020/21

specific funding was made in the budget to both CBC and Cheltenham becoming carbon neutral by 2030. Changes were made to Cabinet portfolios with the Leader assigning two new posts, one covering economy and development and, the other covering climate and communities.

Principle D

Determining the interventions necessary to optimise the achievement of the intended outcomes

- A mixed economy approach to service delivery is in place. In order to continue to deliver the priority outcomes of Members, and to operate within a more constrained financial cost base, the authority has over a number of years created a number of new organisations to deliver once in-house provided services.
- Each partner service is assigned a client officer who undertakes frequent and direct liaison with the service provider and monitors the contract performance and delivery. Each member of the Executive Leadership Team holds accountability for one of these services and provides the strategic guidance and support to the client officers. Executive Leadership Team and client officers keep relevant Cabinet members apprised of commissioned service performance as well as Cabinet Members being engaged directly in performance meetings with commissioned service providers.
- During 2020/21 a number of services provided for CBC by The Cheltenham Trust were either unable to operate due to the COVID19 restrictions or able to operate in a limited capacity. During this period the Executive, Client officers, Members and leadership of the Cheltenham Trust worked together to maximise income (through changed operations and grant funding), minimise redundancies (through furloughing of employees), to ensure that these services were sustained at a level to enable them to restart and continue operating following the pandemic.
- We also worked with our Partners, Cheltenham Borough Homes and The Cheltenham Trust, to provide support to our communities through our Community Help Hub providing food, shopping, general wellbeing support and a prescription collection service.
- We continue to work on achieving the aims of our commercial strategy that sets out the authority's ambition to be an enterprising and commercially focused authority. This will be even more important in the future following COVID19. By continuing to drive down the Council's net costs and increase income via a commercial mind-set with the aim to hold down council tax as far as possible, now and in the longer term helps the Authority protect frontline services from cuts which is exceptionally important following COVID19.
- The drive towards financial sustainability includes identifying new opportunities to generate income and investment in projects that provide good financial returns. The authority's commercial strategy aligns closely with other key strategies including place-making, economic growth, digital transformation, workforce and skills development, investment and asset management. Whilst the

pandemic has caused financial challenges it **Page 107** potential to create an opportunity for the future in a review of the way we work as a Council. The Director of Finance and Assets oversees all commercial work to ensure it fits with our role as a council and within our financial framework.

- The authority's budgets are prepared annually in accordance with objectives, strategies and the MTFS is finalised following consultation with Members, customers, stakeholders and officers.
- Financial stewardship in respect of both capital and revenue proposals is reviewed and challenged by the Budget Scrutiny Working Group and considered regularly by the Executive Leadership Team.
- The MTFS is a live document and is updated as necessary, to respond to the changing environment and in such circumstances would be discussed by the Executive Leadership Team to determine any necessary mitigating actions that would then be discussed with the Cabinet. Due to the financial impact of COVID19 a revised budget was presented and approved by full Council in September 2020 by the Executive Director of Finance and Assets.
- Processes are in place to identify and respond to external changes, for example: changes to legislation and regulation, emerging risks and opportunities, risk management, development and delivery of the corporate strategy, performance management, medium term financial planning, budget monitoring are designed to capture and incorporate external factors and to enable the authority to respond appropriately.
- Corporate risks are considered by the Executive Leadership Team (ELT) on a monthly basis. Operational risks are monitored and managed at Manager level. Any strategic risks scoring 16 or more are escalated to the corporate risk register. CBC now has two senior officers qualified in risk management (MOR).
- In previous years ELT met on a weekly basis to deal with matters of urgency, items require strategic consideration or to make decisions. During the 2020/21 COVID19 pandemic ELT met daily to assess the situation and deal with the consequences of the pandemic. This enabled consistent, coordinated yet rapid decision making leading to CBC being able to play a lead role in the Borough supporting businesses, the community and our own staff ensuring that all government advice was acted upon promptly and our vulnerable people had the necessary support.
- Initially during the pandemic a number of projects, e.g. townscape were halted to ensure we adhered to government guidance on the safety of the workforce etc. This also meant we were able to quickly redeploy resource to the more urgent needs such as getting food, prescriptions and support to those in need.

Principle E

Developing the entity's capacity, including the capability of its leadership and the individuals within it

- During 2020/.21 we continued to work on our organisational change programme, although with a reduced level of resource, focusing on the development of a range of leadership programmes for our people designed to give them behaviours and skills for the future.
- Throughout the pandemic we utilised our Learning and Management System to offer our people a range of wellbeing courses designed to support them through the difficulties being experienced as a result of COVID19. As well as learning through our LMS managers undertook training on 'managing remotely' to ensure they had the relevant skills to both deliver services and support their teams remotely.
- Publica support services continue to work with CBC in the areas of Human Resources, Finance and ICT. Specifically important during 2020/21 has been the support received by CBC from Publica in the area of Health and Safety and ICT. To ensure that we adopted safe working practices that adhered to the changing government guidance throughout the pandemic a new health and safety group was formed. This group which initially met twice a week was responsible for advising managers and reviewing risk assessments to ensure our staff were safe in their workspaces (both home and office), safe in the delivery of services and had all the relevant personal protective equipment. Publica ICT acted swiftly ensuring that within a very short space of time all staff and members had laptops with the relevant technology enabling them work from home. The Council's previous investment in smart working technology was a key reason why CBC was able to become a virtual Council in a short space of time, as well as being able to continue to maintain data security.
- All new employees take part in an induction programme, online during the pandemic, and ongoing staff development needs are identified through the appraisal process and 1:1's. The launch of our new online one to one process has been delayed due to COVID19 but will be rolled out in the first quarter 2021/22. The Chief Executive is appraised by the Group Leaders.
- The introduction of regular all manager, all employee and member WebEx meetings enabled information to be easily and consistently cascaded.
- All new Members undertake a comprehensive Members induction programme that is delivered after each borough election (i.e. every 2 years). New Members are matched with a senior officer under a "buddy" system to provide practical support as they develop into their roles. Training is provided for Members on an ongoing basis as appropriate and necessary. Members on certain committees (e.g. Planning and Licensing) are required to undertake initial and ongoing "top up" training in order to take their place on the committee. The authority is a member of the Local Government Association who provide individual mentoring and support to Members and officers as necessary or requested.
- During the last year Members have undertaken learning and development in a number of areas including Planning Reform, Equalities and Diversity, the NHS and City Fibre.

Managing risks and performance through robust internal control and strong public financial management

- A corporate governance group meets on a quarterly basis, is chaired by the Executive Director of People and Change, and its attendees are the other statutory officers, plus internal audit, counter fraud, risk manager and HR.
- Officers are required to maintain Service / Operational Risk Registers and the ELT reviews the corporate risk register on a monthly basis that is then provided to informal cabinet.
- Any service level risks that score 16 or above are incorporated in the corporate risk register.
- The MTFS is reviewed and updated on a regular basis so that Members and ELT are aware of the financial standing of the authority in terms of delivering against cost reduction or revenue raising targets. Performance against budget is reported to Cabinet and any significant variances explained. During 2020/21 additional meetings were held with the Leader and Lead Member for Finance to monitor the impact of COVID19.
- During 2020/21 the decision was taken to bring the finance function, being undertaken by Publica, back in house. A Head of Finance was externally recruited with the successful candidate starting in January 2020.
- The Statement of Accounts is produced and published annually in accordance with statutory legislation – these statutory dates were adjusted for the 2020/21 year due to COVID19. Aligned with this is the production of this Annual Governance Statement that identifies how the authority has met its governance reporting obligations.
- External Audit recommendations are reported to Audit, Compliance and Governance Committee following the completion of their annual audit process with follow-ups of recommendations also reported. Any recommendations are incorporated into the planning for the next years Audit.
- Internal Audit is delivered through SWAP Internal Audit Services (SWAP) and processes ensure compliance with Public Sector Internal Auditing Standards. Internal Audit agreed actions are followed up and reported to Audit, Compliance and Governance Committee with further follow up being reported where agreed actions have not been implemented in full. During 2020/21 SWAP continued to undertake scheduled audits wherever possible.
- Copies of all Internal Audit reports are provided to the Executive Director Finance and Assets who ensures that other relevant Executive Directors are made aware of any significant issues or recommendations.
- The Audit, Compliance and Governance Committee reviews and approves the Risk Management Policy on an annual basis. Risks are identified when undertaking Internal Audit reviews and reported when necessary.
- A risk-based Audit Plan is drafted annually following consultation with Officers, Members and the Executive Director Finance and Assets. The Audit Plan is approved at Audit, Compliance and Governance Committee prior to the financial year.
- Audit reports, once completed are discussed with the service manager. Executive summaries, including findings, and progress on the Annual Plan are reported to Audit, Compliance and Governance Committee, on a quarterly basis.

- Agreed Actions made in audit reports are 11 months after the completion of the audit and findings reported to Audit, Compliance and Governance Committee.
- The authority's services are delivered through a mix of direct service delivery and delivery through other standalone organisations, e.g., Cheltenham Borough Homes delivers housing; Ubico deliver environmental services including waste management, street cleansing and grounds maintenance; The Cheltenham Trust is responsible for the authority's town hall, Pittville Pump Room, The Wilson, Leisure@ and Prince of Wales Stadium. Contracts and agreements are in place with each of these organisations that include performance management and reporting arrangements. Client officers monitor contractual requirements and performance measures. During 2020/21 CBC have been working with all of these organisations to understand the impact of COVID19, work with and support these organisations to ensure the continued delivery of services wherever possible.
- Organisational performance against the authority's corporate plan objectives is reviewed by the Executive Leadership Team to ensure key programmes of work remain on track to achieve CBC goals and objectives.
- A Counter Fraud Unit supports all the Gloucestershire Local Authorities, West Oxfordshire District Council and other third parties. Where investigations identify possible improvements to the internal control framework, the Counter Fraud Unit will liaise with the Internal Audit Team to ensure the improvements are followed up and implemented by Management. During COVID19 the Counter Fraud team have been working with CBC to ensure that COVID19 grant payments are only made to qualifying organisations and to reduce the risk fraud.
- Our Data Protection Policy provides a framework for all other Information security and Information Management Policies all of which are available to all data users on the Councils intranet. It also provides the responsibilities and accountabilities for the roles of the Data Protection Officer, Senior Information Risk Officer (SIRO) and the Single Point of Contact (SPoC).
- A range of training documentation is produced to support the training on Data Protection. Documentation is regularly reviewed and used to deliver an agreed annual training programme that includes induction for elected Members and employees.
- The authority is part of the Gloucestershire Information Sharing Partnership. This will enable data to be shared when necessary.
- Audit reviews ensure data is held securely whether electronic or hard-copy.

Principle G

Implementing good practices in transparency, reporting, and audit to deliver effective accountability

- The authority publishes its performance in achieving delivery of its corporate plan objectives on an annual basis. Performance monitoring reports considered by Overview and Scrutiny are published on the authority's website in accordance with publication standards and guidelines.
- Data in respect of transparency is published on the authority's website.
- The Council's Audit, Governance & Compliance Committee review the Local Code of Corporate

- The Statement of Accounts is produced and published annually in accordance with statutory legislation. Aligned with this is the production of the Annual Governance Statement which identifies how the authority has met its governance reporting obligations
- External Audit recommendations are reported to Audit, Compliance and Governance Committee, following the completion of their annual audit process, follow-ups of recommendations are also reported
- Internal Audit processes ensure compliance with Public Sector Internal Auditing Standards. Internal Audit agreed actions are followed-up and reported to Audit Committee, further follow-up is planned if agreed actions have not been implemented in full.

6. Review of Effectiveness

The authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers, the annual opinion from the Head of Internal Audit, the officer Corporate Governance Groups and comments made by the external auditors, other review agencies and inspectorates.

The authority's process for maintaining and reviewing the effectiveness of the governance framework has included the following:

- Directors complete an Annual Assurance Statement at the end of each financial year. These governance declarations provide appropriate management assurance that key elements of the system of internal control are in place and are working effectively and help to identify areas for improvement.
- Annual Assurance Statements are also completed by Client Officers in respect of external service providers, The Cheltenham Trust, One Legal, Publica, Ubico and CBH.
- Where the assurance review highlights elements that do not fully or partially meet the systems of internal control then the Directors and Client officers explain what action needs to be taken within an agreed timeframe.
- ELT review the Corporate Risk Register on a monthly basis and service risk registers are managed by each manager.
- The SWAP Assistant Director (Head of Internal Audit) provides the Audit, Compliance and Governance Committee, as the Committee charged with governance, with an Annual Opinion on the control environment of the authority, which includes its governance arrangements.
- Investigation of, and decisions on, allegations of failure to comply with Members Code of Conduct are considered and determined through processes involving the Monitoring Officer/Independent Person(s)/Standards Committee/Sub-Committee as set out in the Constitution.
- A full induction programme is delivered for newly elected members.

The Executive Director Finance and Assets ensures training and awareness sessions are carried out for the Audit, Compliance and Governance Committee periodically.

- The External Auditors (Grant Thornton) present progress reports to the Audit, Compliance and Governance Committee. The Chief Executive and Executive Director Finance and Assets attend audit liaison meetings with the external auditors on a regular basis.
- The External Auditor's Annual Audit Letter and follow-up of management responses to issues raised in the Letter or other reports are overseen by the Audit, Compliance and Governance Committee.
- Performance with regard to achievement of corporate priorities, budgets and risk are reported and monitored as outlined in this statement.
- The Audit, Compliance and Governance Committee review the Annual Governance Statement.
- The Audit, Compliance and Governance Committee review the Annual Statement of Accounts and reports from both Internal Audit (SWAP) and External Audit (Grant Thornton), including quarterly progress reports.
- Council approves the annual budget, reviews and approves the Treasury Management Strategy.
- Internal Audit monitors the quality and effectiveness of systems of internal control. Audit reports include an opinion that provides management with an independent judgement on the adequacy and effectiveness of internal controls. Reports including agreed actions for improvement are detailed in an action plan agreed with the relevant Executive Director/Service Manager.

On the balance of our 2020/21 audit work for Cheltenham Borough Council, enhanced by the work of external agencies, I am able to offer a **Low Substantial Assurance** opinion in respect of the areas reviewed during the year.

7. Significant Governance Issues During 2019/2020

In preparing the 2019/2020 statement and reviewing the effectiveness of the governance arrangements a number of areas were identified where the Council needs to focus attention and improve arrangements over the next financial year. These areas of work were to strengthen the control framework. These actions and outcomes are set out in the table below.

No	Key Area of Focus	Planned Actions	Lead officer	Outcome
1	Clearview	Focus on full implementation of Risk, Organisational Performance and Project Management modules	Darren Knight	Progress delayed and rollout ongoing into 2021/2022
2	Procurement	Ensure there is capacity to undertake all procurements required by CBC	Gill Morris	Not completed ongoing review.
3	Financial Rules Training	Develop module for Learning Management System	Gemma Bell	Not completed due to COVID19 rollover to 2021-22 action plan
4	Availability of Training Budgets	Consolidate training budgets and ensure they are available to support training requirements	Darren Knight / Paul Jones	Completed and ready for 2021/2022

5	The Cheltenham Trust manual financial processes as per audit recommendations	Processes to b	Paul Jones	Completed
6	Impact of COVID19	Recovery Strategy	ELT / Darren Knight lead	Completed and Recovery Strategy approved by Cabinet

8. Significant Governance Issues During 2020/2021

There were no significant governance issues identified during 2020/2021.

9. Approval of Leader and Chief Executive

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit, Compliance and Governance Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Signed on behalf of Cheltenham Borough Council:

Rowena Hay

Leader of the Authority

Date: XX XXX 2021

Gareth Edmundson

Chief Executive

Date: XX XXXX 2021

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Cheltenham Borough Council

Audit, Compliance and Governance Committee – 14 July 2021

Review of Draft Accounting Policies 2020/21

Accountable member	Councillor Peter Jeffries, Cabinet Member for Finance and Assets
Accountable officer	Gemma Bell, Head of Finance
Ward(s) affected	All
Key Decision	Yes
Executive summary	To update Members on the Council's draft accounting policies which will be included in the 2020/21 Statement of Accounts, providing Members with the opportunity to review these policies before the unaudited accounts are published on 31 July 2021.
Recommendations	The Committee notes the content of these draft accounting policies and make any comments as necessary.

Financial implications	As detailed throughout this report. Contact officer: Gemma Bell, gemma.bell@cheltenham.gov.uk, 01242 264124
Legal implications	None specific directly arising from the report. Contact officer: One Legal – legalservices@onelegal.org.uk 01684 272012
HR implications (including learning and organisational development)	<i>None arising directly from this report.</i> Contact officer: Julie McCarthy julie.mccarthy@publicagroup.uk Tel no: 01242 264355
Key risks	None
Corporate and community plan Implications	None
Environmental and climate change implications	None.

1. Background

- 1.1 The Committee is requested to review the Council's accounting policies, as included in the statement of accounts, on an annual basis. The Council's auditors, Grant Thornton have recommended that this review is done prior to the review and sign-off of the Council's final audited statement of accounts. This is to aid the Committee's understanding of the policies in place and their application in the statement of accounts.
- 1.2 This report therefore includes the draft accounting policies included in the draft statement of accounts. It should be noted that MHCLG have extended the deadline for the publishing of the unaudited Statement of Accounts from 31 May 2021 to 31 July 2021. The deadline for publishing final audited accounts is 30 September 2021. The final accounting policies will be reviewed again by the Committee when the audited accounts are presented for approval.

2. Accounting Policies

- 2.1 The Statement of Accounts are prepared in accordance with proper accounting practices and regulations by following the CIPFA Code of Practice on Local Government Accounting ('The Code'), supported by International Financial Reporting Standards (IFRS's) and International Accounting Standards (IAS's).
- 2.2 The Council's accounting policies outline the relevant accounting principles and methodologies adopted by the Council, in order to meet these statutory requirements. They can be used to aid understanding of the statements as well as providing a comparison to other organisations. Any changes to accounting policies from previous financial years are disclosed as a separate note to the accounts.
- 2.3 The accounting policies have been reviewed in 2020/21 to ensure they are up to date and relevant to the statements, a copy of which is included as Appendix A to this report.

3. Changes to accounting policies in 2020/21

- 3.1 There are no material changes to the accounting policies in 2020/21.
- 3.2 The Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified. There is also the requirement for 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. The following standards and amendments will be introduced in the 2021/22 Code:
 - IFRS 16 Leases
- 3.3 IFRS 16 is not anticipated to have a material effect on the financial statements or balances of the Council since the changes mainly affect the recognition of leases by lessees and the authority does not have any finance lease liabilities or material operating leases (as disclosed in note 23 of the Statement of Accounts on the Council as Lessee).

4. Conclusion

- 4.1 It should be noted that the draft accounting policies may be updated as part of the final audited Statement of Accounts. The Committee will have the opportunity to review the final version as part of the approval of the audited Statement of Accounts in September 2021.

Report author	Contact officer: Gemma Bell gemma.bell@cheltenham.gov.uk, 01242 264124
Appendices	Appendix A - Draft Accounting Policies 2020/21
Background information	Code of Practice on Local Authority Accounting in the UK 2020/21 Accounts Accounts and Audit Regulations 2015

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NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

1.1 GENERAL PRINCIPLES

The Statement of Accounts summarises the council's transactions for the financial year and its position at the end of the financial year. The council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA/LASAAC Code of Practice on Local Government Accounting in the United Kingdom 2019/20 (The Code) supported by International Financial Reporting Standards (IFRS's), International Accounting Standards (IAS's) and statutory guidance.

The accounting convention adopted by the Statement of Accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounting policies of the council have as far as possible been developed to ensure that the accounts are understandable, relevant, free from material error or misstatement, reliable and comparable.

1.2 ACCOUNTING CONCEPTS

Except where specified in the Code, or in specific legislative requirements, it is the council's responsibility to select and regularly review its accounting policies, as appropriate.

These accounts are prepared in accordance with a number of fundamental accounting principles:

- Relevance
- Reliability
- Comparability
- Materiality

Additionally three further concepts play a pervasive role in the selection and application of accounting policies:

Accruals of Income and Expenditure

The financial statements, other than the cash flow statement, are prepared on an accruals basis, i.e. transactions are reflected in the accounts in the year in which the activity to which they relate takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services, in accordance with the performance obligations in the contract and IFRS15 Revenue Contracts with Customers. These are fees and charges such as car parking fees, bereavement services fees, planning applications and building control

fees.

- 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 payable on borrowings and receivable on investments is accounted for 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 income and expenditure has 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- All income and expenditure is credited and charged to the Comprehensive Income and Expenditure Statement, unless it comprises capital receipts or capital expenditure.

Going Concern

The accounts are prepared on the assumption that the council will continue its operations for the foreseeable future. This means in particular that the Comprehensive Income and Expenditure Statement and Balance Sheet assume no intention to significantly curtail the scale of operations.

Primacy of legislative requirements

The council derives its powers from statute and its financial and accounting framework is closely controlled by primary and secondary legislation. Where legislative requirements and accounting principles conflict, legislative requirements take precedence.

1.3 EMPLOYEE BENEFITS

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within twelve months of the year-end. They include such benefits as salaries and wages, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the 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. They are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the council can no longer withdraw the offer of any benefits.

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. Therefore in the Movement in Reserves Statement appropriations are required to and from the pensions reserve to remove the notional charges and credits for pension enhancement termination benefits, and replace them with 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 Pension 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, and is accounted for as a defined benefits scheme:

- The liabilities of the Gloucestershire pension scheme 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 earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on the adoption of the AA-rated corporate bond basis.
- The assets of the Gloucestershire pension fund attributable to the council are included in the balance sheet at their fair value on the following basis:
 - quoted securities – current bid value
 - unquoted securities – professional estimate of fair value
 - unitised securities – current bid price
 - property – market value.
- The change in the net pension liability is analysed into seven components:
 - Current service cost: the increase in liabilities as a result of the additional year of service earned - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past service cost: the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - charged to the Surplus or Deficit in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

- Interest cost on defined obligation: the expected increase in the present value of liabilities during the year as they move one year closer to being paid - charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Interest income on plan assets: the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Gains/losses on settlements: the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees – charged to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Measurement of the net defined benefit liability: changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve.
- Contributions paid to the Gloucestershire pension fund: cash paid as employer's contributions to the pension fund, in settlement of liabilities.

Statutory provisions limit the amount chargeable to council tax to that payable by the council to the pension fund 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 Pension Reserve to remove the notional charges and credits for retirement benefits and replace them with the cash paid to the pension fund and any amounts payable to the fund 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 has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award, and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.4 GRANTS AND CONTRIBUTIONS

Grants and contributions received from the government and other organisations are credited to the Comprehensive Income and Expenditure Statement unless any conditions attached to the grant or contribution have not been satisfied. For example conditions may be stipulated that specify that the grants or contributions are required to be consumed by the recipient as specified, or they must be returned to the transferor.

Amounts received as grants and contributions for which conditions have not been satisfied are carried on the Balance Sheet as Revenue or Capital Grants Received in

Advance. When the conditions are satisfied, the grant or contribution is credited to the relevant service line (if ring-fenced) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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, so that they are available to fund capital expenditure. Where the grant has yet to be used to finance capital expenditure, it is credited to the Capital Grants Unapplied reserve. Where it has been applied it is credited to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.5 OVERHEADS AND SUPPORT SERVICES

The authority operates and manages its overheads (including telephones and printing costs) and corporate and support services separately and expenditure relating to these activities is reported to key decision makers as separate activities. These overheads are not therefore apportioned to services within the general fund. Overhead charges between the General fund and Housing Revenue services, however, continue to apply.

1.6 COUNCIL TAX RECOGNITION

Council Tax receivable for the financial year is recognised in the Collection Fund, a separate statutory account maintained by billing authorities. The Fund is charged with the council tax requirements ('precepts and demands') set by the major preceptors and billing authority before the start of the year, leaving (after providing for uncollectable debts) a surplus or deficit, which is then distributed to the same authorities in future years in proportion to their precepts or demands.

The council tax income included in the council's Comprehensive Income and Expenditure Statement for the year represents its 'demand' for the year, plus its share of the collection fund surplus or deficit for the year, before any distribution. Because the amount of surplus or deficit that can be credited or charged to the council's general fund is governed by statute, and is limited to that declared at the start of the year, adjustments are made in the Movement in Reserves Statement to the collection fund adjustment account to reflect the difference between the surplus or deficit due for the year and that which can be released according to statute.

There is no statutory requirement for a separate collection fund balance sheet. Instead the fund balances (arrears, over/pre-payments, bad debts provision and accumulated surpluses or deficits) are distributed across the balance sheets of the billing authority and the major preceptors, in proportion to their precepts and demands. The council, as a billing authority, therefore accounts for council tax balances on an agency basis, showing only its share of the fund balances on its balance sheet.

1.7 NATIONAL NON-DOMESTIC RATES (NNDR) INCOME RECOGNITION

NNDR income is recognised in the same way as council tax described above, with the exception that the net income and surplus/deficit credited or charged to the Comprehensive Income and Expenditure Statement is shared between the billing

authority, the county council and central government in statutory proportions. NNDR balances are also distributed across their balance sheets in the same proportions.

1.8 VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

1.9 NON-CURRENT ASSETS - RECOGNITION OF CAPITAL EXPENDITURE

The council recognises non-current assets when expenditure is incurred on assets:

- held for use in the production or supply of goods or services, rental to others, or for administrative purposes
- expected to be used for more than one financial period
- where it is expected that the future economic benefits associated with the asset will flow to the council
- where the cost can be measured reliably.

The initial cost of an asset is recognised to be:

- Purchase price, construction cost, minimum lease payments or equivalent including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- Costs associated with bringing the asset to the location and condition necessary for it to be capable of operating in the manner required by management.
- Any costs of dismantling and removing an existing asset and restoring the site on which it is located.

The cost of an asset acquired other than by purchase or construction is deemed to be its fair value, except where an asset is acquired via an exchange it is deemed to be the carrying amount of the asset given up by the council.

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

Subsequent 'enhancement' expenditure is treated as capital expenditure when it is considered it will increase the value of the asset or its useful life or increase the extent to which the council can use the asset.

De Minimis policy - expenditure below £10,000 (excluding VAT) is not treated as capital expenditure except where the sum of identical assets purchased exceeds this figure, as is the case with waste collection bins and caddies.

Capital assets are held on the Balance Sheet as Non-Current Assets.

1.10 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (PPE)

Assets that have physical substance and are held for use in the provision of services, for rental to others, or for administrative or other operational purposes on a continuing basis are classified as Property, Plant and Equipment. Such assets are categorised as Council Dwellings, Other Land and Buildings, Vehicles Plant and Equipment, Infrastructure, Community Assets, Surplus Assets and Assets Under Construction.

Infrastructure assets are inalienable assets, expenditure on which is only recoverable by continued use of the asset and there is no prospect for sale or alternative use. Examples include footpaths, cycle tracks, bridges, street furniture and drainage systems.

Community Assets are assets that the authority intends to hold in perpetuity, have no determinable useful lives and which may have restrictions on their disposal. Examples include parks, gardens, cemeteries land, allotments and open spaces used for recreation.

Surplus Assets are assets which are not being used to deliver services or for administrative purposes but which do not meet the definition of Investment properties or Assets Held for Sale.

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 for more than one financial year and the cost of the item can be measured reliably. This excludes expenditure on routine repairs and maintenance, which is charged directly to service revenue accounts when it is incurred.

Measurement

PPE assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. The council does not capitalise borrowing costs incurred whilst assets are under construction.

The assets are then carried on the Balance Sheet using the following measurement bases:

- Dwellings – Current value, using the basis of existing use value for social housing (EUV-SH)
- Other Land and Buildings – Current value, using the basis of existing use value (EUV) where an active market exists or Depreciated Replacement Cost (DRC), where there is no active market for the asset or it is specialised
- Infrastructure – depreciated historic cost
- Community assets – historic cost (where known). The cost of many of the council's parks, gardens and open spaces is not known and they are therefore

shown at Nil value. The Code offers the option for authorities to measure community assets at valuation, which is the requirement for Heritage assets. The council has so far not adopted to change its accounting policy in this way as it does not currently have the management information to make reasonable valuation estimates of community assets.

- Assets under construction – historic cost
- Surplus Assets – Current value, using the Fair Value basis (see paragraph 1.19 *Fair Value Measurement*).
- In the case of assets that have short useful lives or low values (or both) i.e. Vehicles, Plant and Equipment, depreciated historic cost is used as a proxy for current value.

Assets included in the Balance Sheet at Current value are re-valued where there have been material changes during the year, and as a minimum every five years.

Where there is an upward revaluation, the carrying value is increased and the gain credited to the Revaluation Reserve. This is reflected in the Comprehensive Income and Expenditure Statement as a revaluation gain, included in Other Comprehensive Income and Expenditure. Exceptionally, gains are credited to the Surplus or Deficit on the Provision of Services (and not the Revaluation Reserve) where a revaluation loss or impairment in respect of that asset was previously charged to a service revenue account (adjusted for the depreciation that would have been charged had the revaluation or impairment losses not occurred).

Where decreases in value are identified, they are accounted for as follows:

- 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 in the Comprehensive Income and Expenditure Statement.

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

Impairment

PPE assets are assessed at the end of each year for evidence of impairment. Where evidence exists and the effect is considered 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 difference.

Where there are revaluation gains for the asset in the Revaluation Reserve the impairment loss is written down against that balance (up to the amount of the accumulated gains).

Where there are no gains in the Revaluation Reserve or an insufficient balance to meet the impairment loss, the remaining loss is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line 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 with a determinable finite useful life, by writing down the carrying value of the asset in the Balance Sheet over the remaining periods expected to benefit from their use. Assets not depreciated are those without a determinable finite useful life (land and Community and Heritage assets), assets that are not yet available for use (assets under construction) and assets reclassified as Held for Sale.

Depreciation is calculated on the following bases:

- Council dwellings – straight-line allocation over each significant component's estimated useful life
- Other buildings, Vehicles, Plant, Furniture and Equipment, Infrastructure, Surplus assets – straight-line allocation over the asset's estimated useful life.

Newly acquired assets are depreciated from the year following that in which they were acquired, although assets in the course of construction are not depreciated until they are brought into use.

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

Assets disposed of during the year are depreciated in the year of disposal or in the case of assets reclassified as Held for Sale, in the year they were reclassified.

Componentisation

Where a *material* item of Property Plant and Equipment has components whose cost is *significant* in relation to the total cost of that item, *and* which have different estimated useful lives and/or depreciation methods, they are identified as separate assets and depreciated separately.

The council's current Componentisation Policy for non-dwelling assets defines a material item as an individual building exceeding a gross book value of 1% of the Other Land and Buildings value which for 2020/21 is £1,421m. A significant individual component as one which exceeds 20% of the gross replacement cost of that building. Significant components are identified as separate assets and separately depreciated if their estimated useful lives are considered significantly different to the 'host' building or other components. 'Material' buildings are considered for componentisation whenever such a building is acquired, enhanced, or revalued after 1 April 2010.

With effect from 1st April 2017 separate building components (including the 'host' or residual building) have been identified for dwellings where their current replacement cost and useful lives can be estimated reliably.

1.11 NON-CURRENT ASSETS - HERITAGE ASSETS

Assets with historical, artistic, scientific or technological qualities held principally for their contribution to knowledge or culture.

The council's collections of heritage assets are accounted for as follows:

Ceramics, Art, Regalia and Silverware, Furniture, Textiles, Ephemera, other collectables

These are reported in the Balance Sheet at their current insurance valuation, which is based on market values.

Statues and Monuments

These are reported in the Balance Sheet at their current insurance valuation, which is based on historic or replacement cost.

Archaeology

The council cannot obtain reliable cost or valuation information for its archaeological collection. This is because of the diverse nature of the assets held and lack of comparable market values. Consequently the council does not recognise these assets on its balance sheet.

The insurance valuations are updated for inflation on an annual basis, with gains credited to the Revaluation Reserve. The council has deemed that all the heritage assets have indeterminate lives, hence it does not consider it appropriate to charge depreciation.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment. Any impairment is recognised and measured in accordance with the council's policy on impairment for Property, Plant and Equipment. Occasionally the council will dispose of heritage assets. These are accounted for in accordance with the council's policy on disposals and assets held for sale.

1.12 NON-CURRENT ASSETS - 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 (see paragraph 1.19 *Fair Value Measurement*). Properties are not depreciated but are revalued annually unless their carrying value can be demonstrated to be not materially different to fair value at the balance sheet date. 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. Such gains and losses, however, are not permitted by statutory arrangements to have an impact on the General Fund Balance and are therefore reversed out in the Movement in Reserves Statement and credited to the

Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

1.13 NON-CURRENT ASSETS - INTANGIBLE ASSETS

Expenditure on assets that do not have physical substance and which are controlled by the entity through custody or legal rights (e.g. software licences), is capitalised when it will bring benefits to the council for more than one financial year. Internally generated assets are capitalised where it can be demonstrated that the project is technically feasible, is intended to be completed (with adequate resources being available), where the council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset, and where the expenditure during the development phase can be reliably measured.

Intangible assets are measured at cost, which is amortised over the estimated useful life of the asset to the relevant service line in the Comprehensive Income and Expenditure Statement, to reflect the pattern of consumption of benefits. Estimated remaining useful lives are reviewed annually and an asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are charged to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or cessation of use of an intangible asset is credited or charged to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance, so they are reversed out of the General Fund Balance in the Movement in Reserves Statement and charged or credited to the Capital Adjustment Account with any sale proceeds greater than £10,000 credited to the Capital Receipts Reserve.

1.14 NON-CURRENT ASSETS – DISPOSALS AND ASSETS HELD FOR SALE

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. Assets are classified as held for sale where the asset is available for immediate sale in its present condition and where the sale is highly probable i.e. the asset has been advertised for sale and a buyer sought and the completion of the sale is expected within twelve months of the balance sheet date. Dwellings sold under Right to Buy are deemed to become surplus on the day that the transfer to the tenant takes place (completion of the sale), and are therefore considered operational until they are sold.

Except when carried at (depreciated) historic cost, an asset is revalued immediately before its reclassification as Held for Sale, using its existing category's measurement basis. Following reclassification assets are measured at the lower of their carrying values and fair values less costs to sell. Any subsequent gains in value are first used to reverse any losses previously charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement and thereafter recognised in the Revaluation Reserve. Losses in value are charged to the Surplus or Deficit on the Provision of Services (even when there is a balance held for that asset

in the Revaluation Reserve).

Depreciation is not charged on Assets Held for Sale, except in the year in which they were classified as held for sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified as non-current assets (Property, Plant and Equipment, Investment or Heritage 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.

When an asset is disposed of, or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment, Heritage 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 carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are written off to the Capital Adjustment Account.

Amounts received from a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to Housing Revenue Account (HRA) disposals, as specified by statutory regulations, is payable to the Government. The balance of receipts is required to be credited to the Usable 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 of Reserves Statement.

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

1.15 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets is charged to the relevant service revenue account in the year. To the extent the council has determined to meet the cost of this expenditure from capital resources (borrowing, capital receipts or grants) a transfer to the Capital Adjustment Account via the Movement in Reserves Statement reverses out the amounts charged to the General Fund Balance so there is no impact on the level of council tax.

1.16 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Service revenue accounts, support services and trading accounts are charged with the following amounts to record the real cost of holding assets during the year:

- Depreciation of property, plant and equipment used by the relevant service
- Amortisation of intangible assets used by the service
- Revaluation and impairment losses, where there are no accumulated gains in the Revaluation Reserve against which the losses can be charged.

The council cannot raise council tax to cover depreciation, amortisation or revaluation and impairment losses. It is, however, required to make an annual provision (known as Minimum Revenue Provision or MRP) from revenue towards reducing its overall borrowing requirement, equal to an amount calculated on a prudent basis by the council in accordance with statutory guidance. The above charges to the General Fund are therefore reversed out of the General Fund Balance and replaced by a MRP contribution to the Capital Adjustment Account in the Movement of Reserves Statement.

1.17 LEASES

Leases are classified as either Finance Leases or Operating Leases. Arrangements that do not have the legal status of a lease but convey the 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.

Defining a Finance Lease

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. This is likely to apply if some or all of the following situations are met:

- If the lessee will gain ownership of the asset at the end of the lease term (e.g. in the case of hire purchase)
- If the lessee has an option to purchase the asset at a sufficiently favourable price that it is reasonably certain, at the inception of the lease, that it will be exercised
- If the lease term is for the major part of the economic life of the asset, even if title is not transferred. The economic life of the asset is deemed to be consistent with the useful life of the asset in the depreciation policy. The council recognises the major part to be 75% of the life of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction
- At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the

leased asset. The present value of the minimum lease payments is calculated by discounting at the rate inherent in the lease. If this rate cannot be determined the incremental borrowing rate applicable for that year is used. The council recognises “substantially all” to mean 90% of the value of the asset. In some circumstances, a level of 75% is used if the council believes that using this level will give a result that better reflects the underlying transaction

- The leased assets are of such a specialised nature that only the lessee can use them without major modifications
- If the lessee cancels the lease, the lessor’s losses associated with the cancellation are borne by the lessee
- Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (e.g. in the form of a rent rebate equalling most of the sales proceeds at the end of the lease)
- The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

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

Lessee Accounting for a finance lease

Where the council is leasing an asset (for example as a tenant) that is deemed a finance lease, it will recognise that asset within its asset register, and account for that asset as though it were an owned asset.

The initial recognition of the asset is at the fair value of the asset, or if lower, the present value of the minimum lease payments. A liability (less any premium paid) may also be recognised at this value, which is reduced as lease payments are made. Lease payments made to the lessor are split between the reduction in the liability and interest, which is charged to the Comprehensive Income and Expenditure Statement.

Lessor Accounting for a finance lease

Where the council grants a finance lease over property or items of plant or equipment the carrying values of the relevant assets are written out of the Balance Sheet to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement, as part of the gain or loss on disposal. The amount receivable on disposal (representing the minimum lease payments due), is credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal, matched by a cash receipt (if a premium has been paid) or a long term debtor (if to be settled by payments in future years) on the Balance Sheet.

The amount receivable 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 under the lease is settled by payments in future years the amount receivable on disposal is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve. When received future lease payments are apportioned between:

- a charge for the acquisition of the assets, which reduces the lease debtor
- finance interest, which is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

An amount equivalent to the charge for the acquisition of the assets is at the same time transferred from the Deferred Capital Receipts Reserve to the Capital Receipts Reserve.

Defining an Operating Lease

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards arising from ownership of the asset.

Lessor Accounting for an operating lease

Where the council grants an operating lease over property or items of plant or equipment, the asset is retained on the Balance Sheet. Rental income is credited to the relevant service income line or, if the asset is classified as an Investment Property, to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Lessee Accounting for operating leases

Rentals paid under operating leases are charged to the service using the asset in the Comprehensive Income and Expenditure Statement.

1.18 FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised in the Balance Sheet when the authority becomes party to the contractual provisions of the instrument. In the case of a financial asset this is when the authority becomes committed to its purchase, except in the case of trade receivables, which are recognised when the goods or services have been supplied. Financial liabilities are recognised when the cash or goods or services have been received.

Financial Liabilities

Financial liabilities are initially measured at fair value and then carried at amortised cost. Where interest is payable this is charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, 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. Transaction costs are charged to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement, unless deemed material, in which case they are added to the initial cost.

Normally this means, for the council's borrowings, the amount recognised in the Balance Sheet represents the outstanding principal repayable plus any accrued interest, and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year stated in the loan agreement. For current payables with no stated interest rate the amount recognised is the outstanding invoiced amount.

Gains and losses on the early settlement of borrowing are credited or charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of settlement. However, where settlement has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is deducted from or added to the amortised cost of the new or modified loan and its write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over a number of years. The council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid, subject to the maximum or minimum number of years specified in the regulations. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Under IFRS 9 the authority's financial assets are classified into three types:

- Financial assets at amortised cost – where payments consist solely of principal and interest and the reason for holding is to collect cash flows
- Fair value through Other Comprehensive Income (OCI) – where payments do not consist solely of principal and interest but where the authority has designated the instrument as Fair value through OCI
- Fair value through Profit and Loss (P&L) - where payments do not consist solely of principal and interest.

Financial assets at amortised cost

These are initially measured at fair value and carried at amortised cost. Where interest is receivable this is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. Normally this means, for the council's loans and investments, the amount recognised in the Balance Sheet is the outstanding principal receivable plus any accrued interest, and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year stated in the loan agreement.

Interest attributable to the Housing Revenue Account (HRA) is calculated based on the level of its usable reserves held throughout the year and the weighted average

(consolidated) rate of interest earned by the council, in accordance with statutory provisions.

Deposits, bonds and loans are assessed on recognition for impairment due to the likelihood that payments due under the contract will not be made and, if material, a provision for twelve month expected credit losses set aside from the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the risk of default increases significantly after initial recognition and for trade and lease receivables a provision is set aside based on expected lifetime credit losses, if deemed significant or material.

For current receivables with no stated interest rate the amount recognised is the outstanding invoiced amount, less any allowance for impairment (provision for bad or doubtful debts).

Any gains and losses that arise on the disposal or de-recognition of the asset are credited or charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Fair value through OCI

These are initially measured at cost (equivalent to fair value) and carried at fair value. For instruments quoted in an active market, fair values are based on their market prices at the reporting date, except where the instruments will mature within twelve months of that date, in which case they are assumed not materially different to (and therefore equal to) their carrying values.

Interest receivable is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Dividends from equity instruments designated by the authority as Fair value through OCI are credited to the same line when they become receivable by the council.

Changes in fair value are balanced by an entry to the Financial Instruments Revaluation Reserve (FIRR) (formerly the Available-for-Sale Reserve), with the gain or loss being recognised in Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Any gains or losses held in the FIRR on de-recognition of the asset are credited or charged to the General Fund Balance via the Movement in Reserves Statement.

Fair value through P&L

These are initially measured at cost and carried at fair value. For instruments quoted in an active market, fair values are based on their market prices at the reporting date, except where the instruments will mature within twelve months of that date, in which case they are assumed not materially different to (and therefore equal to) their carrying values.

Dividends are credited to the Financing and Investment Income and expenditure line in the Comprehensive Income and Expenditure Statement (CIES) when they become receivable by the council. Changes in fair value and any gains or losses on de-recognition are charged or credited to the same line in the CIES and, in the case of pooled investment funds reversed to the Pooled Investment Funds Adjustment

Account via the Movement in Reserves Statement (MIRS). Sale proceeds on de-recognition are credited to usable capital receipts via the MIRS.

1.19 FAIR VALUE MEASUREMENT

The authority measures certain non-financial assets (Surplus Assets, Investment Property and Assets Held for Sale) and its Fair value through OCI and Fair value through P&L financial assets at fair value at the balance sheet date, unless there is no material difference between carrying value and fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest. In the case of a non-financial asset, the authority takes into account the market participants' ability to use the asset in its 'highest and best use' or by selling it to another market participant that would use the asset in its 'highest and best use'.

Inputs to the valuation techniques used in measuring fair value are categorised within the fair value hierarchy as follows:

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 - directly or indirectly observable inputs other than quoted prices
- Level 3 - unobservable inputs for the asset or liability.

1.20 INVENTORIES

Inventories held in stores are included in the Balance Sheet at the latest price paid. This is a departure from the requirements of the Code, which require inventories to be shown at the lower of cost and net realisable value. The effect of the different treatment is not considered material.

1.21 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 investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

1.22 PROVISIONS

Provisions are made where an event has taken place that gives the council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing or amount of the transfer is uncertain. 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 when the council becomes aware of the event, based on its best estimate of the likely settlement. When payments are eventually made, they are charged to the provision carried on the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes more likely than not that a transfer of economic benefits will not be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service line in the Comprehensive Income and Expenditure Statement.

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

1.23 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, where material, disclosed in a note to the accounts.

1.24 RESERVES

The council sets aside specific amounts as usable reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts from 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 form part of the Surplus or Deficit 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 in that year.

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

1.25 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, where material, disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.26 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 made has a material effect, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

1.27 EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

1.28 ESTIMATION TECHNIQUES

Estimation techniques are the methods adopted to assess the values of assets, liabilities, gains and losses and changes in reserves in situations where there is uncertainty as to their precise value. Unless specified in the Code or in legislative requirements, the method of estimation will generally be the one that most closely

reflects the economic reality of the transaction.

1.29 JOINTLY CONTROLLED OPERATIONS

Jointly controlled operations are activities undertaken by the council, together with other organisations, involving the shared use of the assets and resources of the organisations, rather than the establishment of a separate entity. The council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and charges or credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Such operations, not being separate entities, are accounted for in the council only accounts and are not separate entities for Group Account purposes.

1.30 INTERESTS IN COMPANIES AND OTHER ENTITIES – GROUP ACCOUNTS

The council has material interests in companies that have the nature of being subsidiaries and joint ventures and 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 (if any), less any provision for losses.

Basis of Consolidation

The group accounts bring together the council's own accounts with those of Gloucestershire Airport Limited (GAL), in which the council has a 50% shareholding, and Cheltenham Borough Homes Limited (CBH), a company limited by guarantee in which the council is the sole member. The accounts of CBH include those of Cheltenham Borough Homes Services Limited (CBHSL), a wholly owned subsidiary of Cheltenham Borough Homes Limited.

GAL has been treated as a Joint Venture since it is jointly owned and controlled with Gloucester City Council. GAL has therefore been consolidated with the council's accounts on an equity accounting basis, in which the council's share of the company's operating results and net assets or liabilities (based on its proportionate shareholding) are shown as separate lines in the main group statements. There is no requirement to adjust for inter-organisation transactions and balances.

CBH has been treated as a Subsidiary (since it is wholly controlled by the council), so its accounts have been consolidated in the main group statements on a line-by-line basis, eliminating inter-organisation transactions and balances.

At 31st March 2019 the council also had a 14.29% shareholding in Ubico Limited, a local authority owned company which has seven members, providing environmental services to the shareholder councils. Since the council does not have control or significant influence over the company, its accounts are not consolidated into the group accounts, however full disclosure notes are provided.

The council also has an interest in Publica Group (Support) Limited, a Joint Venture company limited by guarantee, in which the council is one of four members. The council's share of the company's profit for the year and net assets at the balance sheet date have not been consolidated into the Group Accounts on the basis of immateriality.

The council also has an interest in the South West Audit Partnership Limited (SWAP),

a company limited by guarantee. As the council does not have any controlling or significant influence in the company it is classed as an investment, and is not included in the Group Accounts.

Accounting Policies

The financial statements in the group accounts are prepared in accordance with the policies set out above, with the following additions and exceptions:

Cheltenham Borough Homes Limited (CBH)

The financial statements for CBH have been prepared under the historical cost convention in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including Financial Reporting Standard 102 (FRS102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing providers.

Consequently dwellings owned by CBH are initially valued at historic cost. For the purposes of the group accounts they have been re-valued at Current value to bring them into line with the council's accounting policies, using the existing use value for social housing (EUUV-SH) appropriate to the dwellings' tenure as affordable homes. Any revaluation gains or losses are treated as described in paragraph 1.10 (Measurement).

In the company accounts capital grants are written off to the Income and Expenditure account over the estimated life of the asset in line with depreciation. However in the group accounts such grants are treated in accordance with paragraph 1.4, whereby they are credited to the Income and Expenditure account when any conditions attaching to the grant are met.

Gloucestershire Airport Limited

The financial statements of the Airport have been prepared under the historic cost convention (except for certain items that are shown at fair value) in accordance with Financial Reporting Standard 102 (FRS102).

Since Investment Property and Property, Plant and Equipment (PPE) assets held by the airport have been valued at fair value no adjustments are required to the value of non-current assets on consolidation with the council's accounts. Unlike in the airport accounts, however, where any gains in value over historic cost are credited to the Profit & Loss Account, such gains are credited in the group accounts to the Revaluation Reserve (for PPE assets) and the Capital Adjustment Account via the Group Income and Expenditure Statement (for Investment Property), in line with the council's accounting policies.

Audit, Compliance and Governance Committee 2021-22 work plan

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22 September 2021 (Report deadline : 10 September 2021)	
Audit Findings Report - ISA260 (for the previous year)	Grant Thornton
Internal audit monitoring report	Internal Audit
Counter Fraud update and future work provision	Counter Fraud Unit
Grants 2020/21 (to include acknowledgement of huge team efforts)	Jayne Gilpin
Statement of Accounts (previous year) (inc. letter of representation)	Finance Team
Annual Review of Risk Management Policy	Ann Wolstencroft
Member training and development	Darren Knight
12 January 2022	
IT Security update	John Chorlton/Tony Oladejo
Internal audit opinion (for the previous year)	Internal Audit
Auditing Standards – communicating with the Audit Committee	Paul Jones/Chair
Statement of Accounts (previous year) (inc. letter of representation)	Finance Team
Annual update on FOI and EIR	Judy Hibbert/Beth Cordingley
20 April 2022	
Audit progress report and sector updates	Grant Thornton
External audit plan (for the current year)	Grant Thornton
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Counter Fraud Unit report (inc. RIPA / IPA update)	Counter Fraud Unit
Annual review of Code of Corporate Governance	Darren Knight
Annual Governance Statement	Darren Knight
Annual Review of Risk Management Policy	Ann Wolstencroft
13 July 2022	
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Auditing Standards – communicating with the Audit Committee	Paul Jones/Chair
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September 2022	
Audit Findings Report - ISA260 (for the previous year)	Grant Thornton

Audit, Compliance and Governance Committee 2021-22 work plan

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ANNUAL ITEMS (standing items to be added to the work plan each year)	
January	
IT Security update	John Chorlton/Tony Oladejo
Audit committee update	Grant Thornton
Annual Auditors report (for previous year)	Grant Thornton
Internal audit monitoring report	Internal Audit
Annual governance statement – significant issues action plan	Ann Wolstencroft
April	
Audit progress report and sector updates	Grant Thornton
External audit plan (for the current year)	Grant Thornton
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Internal audit monitoring report	Internal Audit
Counter Fraud Unit report (inc. RIPA / IPA update)	Counter Fraud Unit
Annual review of Code of Corporate Governance (if CIPFA guidance has changed)	Darren Knight
Annual Governance Statement	Darren Knight
Annual Review of Risk Management Policy	Ann Wolstencroft
July	
Internal audit opinion (for the previous year)	Internal Audit
Auditing Standards – communicating with the Audit Committee	Paul Jones/Chair
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