Cheltenham Borough Council Audit, Compliance and Governance Committee

Meeting date: **28 May 2025**

Meeting time: **6.00 pm**

Meeting venue: **Council Chamber - Municipal Offices**

Membership:

Councillors Adrian Bamford (Chair), Ashleigh Davies, Chris Day, Cathal Lynch, Ben Orme (Vice-Chair), Julian Tooke, Dr David Willingham

Co-optee: Duncan Chittenden

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Agenda

1 Apologies

2 Declarations of interest

3 Minutes of the last meeting (Pages 5 - 10)

4 Public and Member Questions
These must be received no later than 12 noon on the seventh working day before the date of the meeting

5 External Audit Plan 2024-25 (Pages 11 - 28)
Report of Nathan Coughlin, Bishop Fleming, external auditor

6 Internal Audit Plan 2025-26 and Internal Audit Charter and Mandate (Pages 29 - 44)
Report of Lucy Cater, Head of Internal Audit and Assistant Director, SWAP Internal Audit Services

7 Internal Audit Update (Pages 45 - 66)
Report of Lucy Cater, Head of Internal Audit and Assistant Director, SWAP Internal Audit Services

8 Counter Fraud Unit Report (including RIPA/IPA update) (Pages 67 - 78)
Report of Emma Cathcart, Head of Service Counter Fraud and Enforcement Unit (CFEU)

9 Whistle-blowing Policy update (Pages 79 - 104)
Report of Emma Cathcart, Head of Service Counter Fraud and Enforcement Unit

10 Draft Accounting Policies 2024-25 (Pages 105 - 132)
Report of Gemma Bell, Director of Finance and Assets, CBC

11 Review of Risk Register (Pages 133 - 138)
Update from Victoria Bishop, Governance, Risk and Assurance Manager, CBC

12 Audit, Compliance and Governance Annual Report to Council, 2024-25
Verbal report from Councillor Bamford, Chair of Audit, Compliance and Governance Committee

13 Work Programme (Pages 139 - 140)
Agenda items to be considered at the next meeting

14 Any other item the chairman determines to be urgent and requires a decision

15 Date of next meeting
09 July 2025

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CHELTENHAM
BOROUGH COUNCIL

Cheltenham Borough Council
Audit, Compliance and Governance Committee
Minutes

Meeting date: **25 February 2025**

Meeting time: **6.00 pm - 7.02 pm**

In attendance:

Councillors:

Adrian Bamford (Chair), Ashleigh Davies, Chris Day, Cathal Lynch, Ben Orme (Vice-Chair), Julian Tooke and Dr David Willingham

Also in attendance:

Paul Jones (Deputy Chief Executive (Section 151 Officer)), Gemma Bell (Director of Finance and Assets and Deputy S151 Officer) and Nathan Coughlin (Bishop Fleming)

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1 Apologies

There were no apologies.

2 Declarations of interest

There were no declarations of interest.

3 Minutes of the last meeting

The minutes of the meeting held on 22 January 2025 were approved and signed as a true record.

4 Public and Member Questions

There were none.

5 Audit Findings Report 2023-24

Nathan Coughlin of Bishop Fleming, appointed auditor for 2023-24, introduced the report as published. He highlighted the following points:

- Due to Grant Thornton giving a disclaimed opinion for 2022-23, a disclaimer opinion has been provided for 2023-24. This reflects that the prior year accounts, opening balances and comparatives were not audited so Bishop Fleming have not been able to take assurances over these areas. Assurances will be built back over financial statements, balance sheets and reserves going forward.
- Financial statements were signed off by Grant Thornton in December which created a tight deadline for the backstop date in February. Initial focus has been on the balance sheet as this reflects the financial position as of March 2024.
- A number of areas on the balance sheet have not been examined, primarily relating to valuations. In agreement with management, full valuations will be carried out at March 2025 year-end. Work has been carried out on additions and disposals.
- Detailed testing has not been carried out on the consolidation but underlying testing has been carried out around Cheltenham Borough Homes (CBH). Bishop Fleming are also the external auditors for CBH so have assurance over the related numbers and will be comfortable when this is reviewed next year.
- There was little value in spending significant time on assessing the value of investment in Gloucestershire Airport. Greater clarity on the valuation that can be achieved will be available next year due to its commercial sale, which will be included in the group financial statement.
- There’s a lack of clarity across the sector on how to build back assurance on the reserves due to the number of reserves and the complexity of the accounting treatments. A number of technical leads and accounting firms are working with the Financial Reporting Council (FRC) on how to progress beyond this position. A technical solution is expected to emerge in the next year.
- There are some minor amendments and cosmetic changes still required to the accounts which are being carried out by management to ensure they are as correct in terms of the Accounting Standards as possible by the deadline. Approval is sought subject to these changes so that the documents can be signed later in the week.
- One area of significant adjustment is connected to the accounting for the pension fund. A very complex accounting area that has moved over recent years, particularly in relation to net asset positions in the balance sheets. The actuaries first calculation of the council’s share showed a net position of £9m but after the application of an asset ceiling, which takes into account additional contributions in the future, the scheme’s overall deficit results in a negative valuation. That final adjustment takes it down to a technical accounting liability of £24m. There was also a £1m unfunded pension liability which needs to be recognised within the balance sheet.

- Minor control recommendations have been made, reflecting that things are generally well controlled throughout the organisation.
- He thanked the Finance Team for their level of engagement and collaboration throughout the audit process.

The following responses were received to Members' questions:

- If there is no clear resolution to the reserves question then a 'qualified, except for' opinion may be issued in the future as an interim position. There will be more time to process the accounts over the next year as they will be ready by the end of June. It is intended that a full balance sheet and income and expenditure review will be completed in 2024-25, with assurance provided on comparatives in 2025-26. With the possible exception of reserves the council will then be in a comfortable assurance position.
- Due to the council choosing to make additional pension contributions of £2m annually over the last 3 years, the Accounting Standard requires an ongoing contribution (liability) to be recorded across the average expected lifetime of people within the scheme. For example, if the expected lifetime is 15 years the asset position would be reduced by £30m leading to a deficit position. However, this is a technical accounting adjustment and it is important to remember that before this adjustment the council's share of the assets were greater than the share of liabilities, showing a decent position. The triennial evaluation will be carried out in March 2025 which will determine what future contributions are required.
- In relation to Value for Money no significant weaknesses have been identified in the areas that have been reviewed, including systems, controls and transactions. It should be noted that land evaluations, some transaction testing and income expenditure has not been carried out.
- The committee confirmed they were satisfied with the independence of the external auditors and the results issued.

There was no vote on this item.

6 Auditor's Annual Report 2023-24

Nathan Coughlin of Bishop Fleming, appointed auditor for 2023-24, introduced the report as published. He highlighted the following points:

- The Value for Money report had not been exempt as part of the backstop in the previous year and had been submitted to the Committee by Grant Thornton. Bishop Fleming have reviewed their findings and carried out their own assessment.
- They considered three key areas in their assessment – financial sustainability, governance, and improving economy, efficiency and effectiveness. A baseline review has been carried out of core processes and arrangements in place for each area which had not revealed any significant weaknesses. Future years will dive into some areas in greater detail.

- A risk based approach to the audit has been taken with a risk assessment carried out at the start, which considered points raised by previous auditors, minutes and regulators' requirements.
- Whilst no significant weaknesses were identified, a number of recommendations have been made. Three were previously recommended by Grant Thornton and have been partially implemented. Three new recommendations have been made by Bishop Fleming, two of which, risk management and procurement, were already in the process of being revised and improvements made. The final recommendation relates to the need for continued careful monitoring and increased scrutiny of the level of debt in the organisation due to the risk and level of projects that are ongoing.

The following responses were received to Members' questions:

- The slight concerns around borrowing highlighted in the report relate to difficulty in getting clarity on short-term borrowing against the Housing Revenue Account (HRA). Significant work is being carried out on the longer HRA plan which will ensure the council is not borrowing against the replacement of components. Additional concern was raised around the level of short-term borrowing with interest rates higher than they were both in the short and longer term. A number of councils have reported higher budget outturns than projected due to interest rates remaining higher than expected but this also leads to significant borrowing being more expensive, especially with short-term fixed rates.
- Officers are comfortable with the council's net budget requirements of just over £20m approved by the Council as gross turnover is far higher than this due to the HRA. There is around £200m in borrowing which is split relatively equally between the General Fund and HRA. The borrowing against the HRA is considered reasonable when divided across the properties owned by the council. They recognise that the concerns raised by Bishop Fleming reflect challenges due to wider factors including high interest rates, the war on Ukraine and cost inflation (particularly within the building trade). This has not been adequately offset through the rent increase, due to the calculation taking place in September, when the Consumer Price Index (CPI) was lower than has been seen since. Significant scenario testing will be carried out on the HRA and Members may need to make difficult decisions on how to balance the three big financing demands on the HRA – new build, achieving decent homes and decarbonisation. Consideration will be given to the disposal of high value assets within the HRA to ensure the council are able to deliver decent homes to tenants.
- For the General Fund a calculated risk was taken in the purchase of the green fields in 2019. Once planning is hopefully secured there will be a significant uplift on the value of those land holdings. As the development comes forward lots will be sold which will recoup what was borrowed. There are also a number of significant assets in the process of being disposed, if these capital receipts are realised this will enable the reduction in short term borrowing.
- Capital health indicators show a healthy debt to asset ratio as highlighted within the section 25 report. It is important to get the right balance between risk and reward.
- The recommendation around the savings target raised by Grant Thornton has been left open. When this is reviewed in the future it will not look at whether

the target has been met, but will consider how the savings are being monitored and tracked and that the actions needed to achieve the savings are being taken. It is hoped this recommendation will be closed in the next year.

- The approved partnership strategy covers arrangements with groups where the council have commissioned services, such as the Cheltenham Trust, Ubico, One Legal, Publica and SWAP. These organisations provide an annual assurance statement which is collated by the Monitoring Officer as part of the council's annual governance statement. Grant Thornton recommended that a clear assessment was needed of who the partners are, what services are being delivered, what the governance arrangements are, how the council oversee these arrangements and how it is ensured the partnership is delivering. This recommendation also more broadly considers what should be in place for procurement outside of commissioning arrangements. Discussions are taking place with the Monitoring Officer to consider whether a register would best meet this recommendation or whether existing processes, such as the assurance statement, does this in a different form whilst also covering non-financial arrangements including health and safety, reporting and KPI data. Under the procurement regulations there is also a requirement to record commissioning arrangements within the contract register including dates that the existing arrangements expire to ensure the council is prepared to go to the market again.

Members' discussion raised the following points:

- The balance sheet shows a strong position but it is important to have processes in place to keep a close eye on the headroom as the short-term debt rolls over. The decision to borrow to invest against assets was felt to have been the right approach.
- Members are comfortable from the management comment that the recommendations are being progressed but it was agreed that an internal update on the progress of the external audit recommendations should be provided to the committee in 6 months' time.
- It was suggested that internal audit could carry out a review of procurement processes to increase efficiency and economic effectiveness, and consider establishing KPIs and targets for defining value in light of both price and quality.

There was no vote on this item.

7 Final Accounts 2023-24, including Letter of Representation

The Director of Finance and Assets introduced the report as published. She highlighted that this is the final draft of the 2023-24 statement of accounts, initially published at the end of May 2024. All the adjustments included in the external auditor's report have been completed. A number of cosmetic changes remain which will be completed during the week to allow the accounts, subject to the committee's approval, to be signed and published with the external audit disclaimer opinion by the backstop deadline. No further material changes are expected. The Director of Finance and Assets and the Chair thanked the Chief Accountant, the Finance Team

and Bishop Fleming for their hard work and collaborative approach to completing within such a challenging time frame.

Members' noted some potential errors within the tables on pages 64, 67 and 70. They agreed that the Finance Team would review these figures and make any changes required but that it was not necessary to delay the approval of the accounts prior to this work being completed.

RESOLVED (Unanimously) THAT:

1. They noted the final draft of the statement of accounts 2023/24; and

2. Subject to any material changes to the accounts between the committee date and the backstop date of 28 February 2025, authority has been delegated to the Chair of the Audit, Compliance and Governance Committee to sign the final accounts and management letter of representation 2023/24.

8 Any other item the chairman determines to be urgent and requires a decision

There were no other items or urgent business to be considered.

9 Date of next meeting

The next meeting is scheduled for 28 May 2025.

Bishop Fleming

Audit · Accountancy · Tax · Advisory

External Audit Plan
Cheltenham Borough Council

For the year ended 31 March 2025

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Welcome

The purpose of this report is to give you an overview of the nature and scope of our audit work and bring to your attention the key aspects of the audit. The document also ensures that there is good communication between us, as auditors, and you.

If you have any queries regarding the plan, including the arrangements noted below, then please do not hesitate to contact us.

This Audit Plan has been prepared for the sole use of the management and those charged with governance of the Council. Except where required by law or regulation, this report should not be made available to any other parties without our prior written consent. No responsibilities are accepted by Bishop Fleming towards any party acting or refraining from action as a result of this plan.

We are issuing our 2024/25 External Audit Plan now to ensure that there is timely discussion of the key areas of focus. As your 2023/24 external audit was disclaimed so there may be some further changes to our approach, depending on the sector development in rebuilding assurance. We will communicate any changes with you, as our audit progresses.

Nathan Coughlin – Key Audit Partner

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1. General Audit Information

Engagement objectives and scope

The scope of our work is set in accordance with the National Audit Office's Code of Audit Practice (The Code) and the International Standards on Auditing (ISAs) (UK). Our work is planned to provide a focused and robust audit. We are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of Cheltenham Borough Council ('the Council') and the Cheltenham Borough Council Group ('the Group') at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Throughout the audit we will also ensure that, in line with the latest Auditing Standards, we communicate on a regular basis with the Audit, Compliance and Governance Committee as those charged with governance.

The Group referred to above includes the consolidated results of both the Council and its trading subsidiary Cheltenham Borough Homes Limited and its joint venture Gloucestershire Airport Limited. Bishop Fleming are already the auditors of Cheltenham Borough Homes so will already be able to obtain the relevant assurance over the results of this company that will be consolidated into the group accounts.

The consolidated accounts also equity account for your share of the profits or losses and net assets of the joint venture Gloucestershire Airport Limited. The share of profit or loss of the airport is unlikely to be a material balance to the group financial statements, however, the balance sheet is material to the group. We may seek to rely on the work of the auditors of Gloucester Airport Limited to obtain assurance over the Group's share of their net assets and consider the latest position with post year-end sales discussions in relation to the airport.

We are also required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025. The Code of Audit Practice requires us to report on the Council's arrangements under three specified reporting criteria:

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

The respective responsibilities of the audited body and the auditor are summarised in The Code. They are also set out in the PSAA Statement of Responsibilities of auditors and audited bodies issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as your external auditor.

Audit reports

Financial statements

On completion of our audit work on the financial statements, we will issue our Audit Completion Report to those charged with governance/ the Audit, Compliance and Governance Committee, which will set out our findings.

In our auditor's report, we will report on the basis under which the financial statements have been prepared and whether they give a true and fair view. The audit report will also:

- report on whether other information presented with the audited financial statements (for example, the Narrative Report and Annual Governance Statement) is materially consistent with the financial statements or our knowledge obtained in the audit; and

- conclude on the appropriateness of management's use of the going concern basis of accounting.

The form and content of our auditor's report may need to be amended in light of our audit findings.

We are required to report to you by exception the following matters, if:

- the Annual Governance Statement does not comply with "Delivering Good Governance in Local Government: Framework 2016 Edition" published by CIPFA/SOLACE; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Council under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

Where no matters are identified, this will also be confirmed.

Value for Money arrangements

On the completion of our work on whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, we will issue our Auditor's Annual Report to those charged with governance. This will provide a commentary on the Council's arrangements under the three specified criteria. The report will also set out whether any significant weaknesses were identified and any relevant recommendations.

Audit materiality

In planning and performing our audit work we will consider whether the financial statements are free from 'material misstatement'.

Materiality is an expression of the relative significance of a particular matter in the context of the financial statements as a whole. In general, misstatements, including omissions, are considered to be material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The assessment of whether a misstatement is material in the context of the financial statements is a matter of professional judgement and will have regard to both the size and the nature of the misstatement, or a combination of both. It is also affected by our perception of the financial information needs of users of the financial statements. Thus, different materiality levels may be appropriate when considering different aspects of the financial statements.

If there are any areas of specific concern in which you would like us to pay particular attention to then we will be pleased to discuss this with you, and whether our audit approach can be readily adapted to accommodate such a level in that area, or whether it will be more appropriate for a special exercise to be carried out on the area.

Our basis of materiality has been set as follows:

	Basis of materiality
Cheltenham Borough Council	2% of gross expenditure based on the 2023/24 financial statements. This equates to £1,882,000 for the Council and £1,867,000 for the Group.

Whilst the level of materiality is applied to the financial statements as a whole, we must also address the risk that any identified unadjusted audit differences are material when considered in aggregate. To reduce the risk of this being the case, we apply a lower level of materiality which we utilise within our work, known as Performance Materiality. This is set at a lower level than overall materiality and is determined by our assessment of the element of audit risk that pertains to the internal control environment of the Council.

Risk assessment and significant risks

Financial statements

When planning our audit work, we will seek to minimise the risk of material misstatements occurring in the financial statements. To do this, we consider both the risk inherent in the financial statements themselves and the control environment in which the Council operates. We then use this assessment to develop an effective approach to the audit.

This risk assessment directs our testing towards the balances and transactions at the greatest risk of material misstatement so as to minimise the risk of undetected material misstatements. However, we do not test every group of transactions or balances but carry out sample testing of balances and transactions.

Therefore, there is an inherent and unavoidable risk that some material misstatements may not be detected and therefore audit procedures should not be relied upon to detect all material misstatements, fraud, irregularities or instances of non-compliance.

Based on our knowledge of the Council, we have identified the following as significant risk areas to be addressed during the audit along with our proposed audit approach.

Significant risks:

Risk	Audit Approach
Management override of controls (required under the ISAs) *Applicable to the Group and Council*	We are required by auditing standards (ISA 240) to consider fraud and management override of controls to be a significant risk for all audits as no matter how strong a control environment, there is the potential for controls to be overridden or bypassed. To address this risk, we will: • Review the reasonableness of accounting estimates and critical judgements made by management; • Test material journals processed at the year-end; and • Test other journals with key risk attributes. In testing journals, we will use data analytics tools to interrogate the whole population of journals posted in the year and focus on those with key risk factors.
Valuation of land and buildings (and Council Dwellings) *Applicable to the Council*	There is a risk over the valuation of these assets due to the values involved and the high degree of estimation uncertainty, due to the sensitivity of the estimate to changes in key assumptions and judgements. To address this risk, we will: • Document our understanding of the processes and controls put in place by management, and evaluate the design of the controls; • Review the instructions provided to the valuer and the valuer's skills and expertise, in order to determine if we can rely on the management expert; • Write to the valuer to confirm the basis on which the valuation was carried out; • Confirm that the basis of valuation for assets valued in year is appropriate based on their usage; • Review the appropriateness of assumptions used in the valuation of land and buildings. For assets not formally revalued in the year we will assess how management has satisfied itself that these assets are not materially different from the current value at the year-end;

Risk	Audit Approach
	• Review accuracy and completeness of information provided to the valuer, such as floor areas; • Test a sample of revaluations made during the year to ensure that they have been input correctly into the Council's asset register; and • Form our own expectations regarding the movement in property values and comparing this to the valuations reflected in the Council's financial statements, following up valuation movements that appear unusual.
Valuation of investment properties *Applicable to the Council*	There is a risk over the valuation of these assets due to the values involved and the high degree of estimation uncertainty, due to the sensitivity of the estimate to changes in key assumptions and judgements. To address this risk, we will: • Document our understanding of the processes and controls put in place by management, and evaluate the design of the controls; • Review the instructions provided to the valuer and the valuer's skills and expertise, in order to determine if we can rely on the management expert; • Write to the valuer to confirm the basis on which the valuation was carried out; • Confirm that the basis of valuation for assets valued in year is appropriate based on their usage; • Review the appropriateness of assumptions used in the valuation; • Review accuracy and completeness of information provided to the valuer, such as floor areas; • Test a sample of revaluations made during the year to ensure that they have been input correctly into the Council's asset register; and • Form our own expectations regarding the movement in property values and comparing this to the valuations reflected in the Council's financial statements, following up valuation movements that appear unusual.
Valuation of heritage assets *Applicable to the Council*	There is a risk over the valuation of these assets due to the values involved and the high degree of estimation uncertainty and subjectivity. To address this risk, we will: • Document our understanding of the processes and controls put in place by management, and evaluate the design of the controls; • Review the instructions provided to the valuer (the insurer) and the valuer's skills and expertise, in order to determine if we can rely on the management expert; • Write to the valuer to confirm the basis on which the valuation was carried out; • Confirm that the basis of valuation for assets valued in year is appropriate; • Review the appropriateness of assumptions used in the valuation; and • Review accuracy and completeness of information provided to the valuer.
Valuation of the pension fund net liability *Applicable to the Group and Council*	There is a risk over the valuation of the pension fund net liability due to the values involved and the high degree of estimation uncertainty, due to the sensitivity of the estimate to changes in key assumptions. To address this risk, we will: • Document our understanding of the processes and controls put in place by management, and evaluate the design of the controls; • Review the instructions provided to the actuary and the actuary's skills and expertise, in order to determine if we can rely on the management expert;

Risk	Audit Approach
	• Consider the accuracy and completeness of the information provided to the actuary; • Ensure that the disclosures in the financial statements in respect of the pension fund liability are consistent with the actuarial report from the actuary; • Carry out procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • Obtain assurances from the auditor of Gloucestershire Pension Fund Pension Fund in respect of the controls around the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

As part of our planning, we have rebutted the risks of fraud in revenue recognition (required under the ISAs) and fraud in expenditure recognition (required under the Financial Reporting Council's Practice Note 10: Audit of Financial Statements and regularity of public sector bodies in the United Kingdom).

Other risks:

For the 2024/25 audit, we have included an 'other risk' relating to the first-year implementation of IFRS 16 Leases.

Risk	Audit Approach
Implementation of IFRS 16 Leases	2024/25 will be the first year in which local government bodies are required to implement the provisions of IFRS 16 leases. There are transitional arrangements in place for the 'cumulative catch-up' approach mandated by CIPFA in the 2024/25 Code of Practice which will require an adjustment to the opening balances as well as supporting disclosures in the accounts. The value of the right of use assets and lease liabilities arising will depend on the nature and value of the underlying leases as well as assumptions adopted by the Council for the incremental borrowing rate. From discussions with officers the risk of material misstatement at Cheltenham Borough Council is not expected to be significant based on the value of the estimate and its sensitivity to changes in assumptions. Therefore we do not consider this to be a significant risk, but as this is the first year of implementation, we have included this as an 'other risk' in our Audit Plan. To address this risk, we will: • Document our understanding of the processes and controls put in place by management for identifying lease contracts, including those not covered by the transitional arrangements, and evaluate the design of the controls; • Review the appropriateness of assumptions used in calculating the estimate; • Review the completeness and accuracy of the data gathering exercise; • Confirm the appropriateness of application of exemptions for existing contracts such as short term and low value leases; • Review the required transitional disclosures and the application of the adjustment to the opening balances; and, • Test a sample of leases for accuracy in calculating the right of use asset and lease liabilities. Additional guidance on the implementation of the new standard is included in Appendix 2 of this Audit Plan.

Rebuilding assurance

In our 2023/24 Audit Completion Report we highlighted that it had not been possible for us to complete all our planned work for the 2023/24 audit by the statutory backstop date. This was due in part to the prior year accounts not being audited, which meant that we were unable to place reliance on opening balances or give an opinion on in-year movements which depend on those balances. In addition, there were also a number of areas that we were unable to conclude on due to the tight timeframe between the 2022/23 audit being signed off on 4 December 2024 and the deadline of 28 February 2025. These included:

- payroll expenditure;
- housing benefit income and expenditure;
- the existence of ownership, valuation, and depreciation of property, plant and equipment, investment property, and heritage assets;
- the valuation of the net pension fund liability;
- assets held for sale;
- grants receipts in advance;
- the Collection Fund including the business rate appeals provision;
- Housing Revenue Account.

We will look at how we can rebuild assurance on these areas during the 2024/25 audit and will discuss these with the Head of Finance. We anticipate that we will be able to complete a full audit on the Comprehensive Income and Expenditure Statement for 2024/25 and the balance sheet of the Council as at 31 March 2025, other than gaining assurance over the reserves position as a result of the prior periods' disclaimers.

Reporting

We will report back to you, as part of our completion audit work, on the outcome of our work addressing both the significant and other risk areas.

Value for money arrangements

As part of our planning work, we have also considered whether there are any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we need to perform further procedures on.

Our planning work is ongoing, but we have not identified any risks of significant weakness at this stage.

We will keep our risk assessment under continual review and any changes will be communicated to those charged with governance.

Control environment

Through our audit planning procedures, we will continue to develop our understanding of the control environment in which the Council operates.

At the time of issuing our Audit Plan we have concluded that the control environment in which the Council operates is effective and we will tailor our audit approach accordingly.

Although we consider that the Council operates effective and formalised controls, we will not incorporate controls-based testing into our audit approach. Therefore, our work will focus on substantive procedures.

Adjusted and unadjusted items

Of the potential audit adjustments that we identify during our audit work, some may require adjustment. The decision to make an adjustment to the financial statements is one that the Council will need to make.

At the conclusion of the audit, we shall provide you with a schedule of potential adjustments that we identified during our audit work.

We will require you to confirm that you have considered the items and whether you have decided to adjust them in the financial statements; this will be included in the letter of representation.

We shall also provide you with a schedule, detailing those items that we identified during our audit work, which have not been adjusted for in the financial statements. This summary will not include errors that are 'clearly trivial', defined by us as those errors which individually account for no more than 5% of our materiality level.

We will require you to confirm that you have duly considered these unadjusted errors and that you have decided not to adjust for them in the financial statements; this will also be included in the letter of representation.

Fraud

While the Council has the ultimate responsibility for the prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit approach includes the consideration of fraud throughout the audit, including making enquiries of management and those charged with governance.

Prior year recommendations

We will follow up on the progress made by the Council in addressing the recommendations made by us in respect of issues reported in our 2023/24 Audit Completion Report and our 2023/24 Auditor's Annual Report.

2. The Audit Team

Key Audit Partner:	Nathan Coughlin
Email:	ncoughlin@bishopfleming.co.uk
Manager:	Jonthan Saunders
Email:	jonathan.saunders@bishopfleming.co.uk

3. Timetable

A full audit timetable has been included below:

Cheltenham Borough Council YEAR END: 31 March 2025			
Date	**Requirement**	**Bishop Fleming**	**Council**
Throughout 2025	Regular liaison meetings with management and the Chair of Audit, Compliance and Governance Committee	✓	✓
April – May 2025	Planning procedures and interim audit work undertaken, examining systems and controls in place, and completion of early substantive testing.	✓	✓
30 May 2025	Date for issue of audit deliverables	✓	
30 May 2025	Date for receipt of VFM self-assessment from management		✓
June 2025	Audit team to undertake VFM work	✓	
30 June 2025	Date for receipt of the draft financial statements		✓
30 June 2025	Date for receipt of audit deliverables		✓
August - September 2025	Sample selection across material balances and disclsoures	✓	
October – November 2025	Audit fieldwork to be undertaken, completing work on significant risk areas and other material balances.	✓	✓
November 2025	Audit completion meeting to discuss draft Audit Completion Report	✓	✓
January 2026	Presentation of Audit Completion Report and Auditor's Annual Report to those charged with governance	✓	✓

4. Audit Fees

Cheltenham Borough Council, in line with most other local government bodies, opted into the national scheme run by Public Sector Audit Appointments (PSAA) for the appointment of its external auditor for the five-year period with effect from 2023/24. PSAA set the scale fee for the audit of Cheltenham Borough Council under the contract. The audit scale fee set by PSAA for the Council and our proposed variations are set out below:

PSAA scale fee 2024/25	£170,744
Proposed fee variations at the planning stage:	
Review of implementation of IFRS 16	TBC
Additional procedures to rebuild assurance	TBC
Total (excluding VAT)	**TBC**

The scale fees set by PSAA:

- are based on the expectation that complete and materially accurate financial statements, with supporting working papers, will be available within agreed timeframes (as set out in PSAA's Statement of Responsibilities document); and
- reflect as far as possible the previous assessment of audit risk and complexity.

Where work was substantially more or less than envisaged by the scale fee, we will propose that the fees should be varied. PSAA determine the outcome of any fee variations. The proposed fee variations set out above reflect issues that were not reflected in the scale fee when it was set by PSAA.

As the individual responsible for the project management of the audit, Jonathan Saunders will monitor the position in relation to any issues that could potentially give rise to a fee variation and discuss them with the Chief Finance Officer/s.151 officer at the earliest opportunity.

There are no non-audit fees proposed at the planning stage.

5. Ethical Issues

In order to comply with professional and ethical standards we are required to communicate to you all significant facts and matters that, in our professional judgement, may affect the firm's independence. This is for reference only, and unless you wish to make any comments, there is no need to respond.

Threats & safeguards

The standards require us to consider the perceived potential threats to our objectivity and independence in carrying out the audit. We are not providing any other audit related or non-audit related services. We have not identified any threats to the firm's independence.

Overall assessment

We can confirm that we comply with the Financial Reporting Council's (FRC) Ethical Standard and are able to issue an objective opinion on the financial statements. There are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention.

Maintaining objectivity & independence

As a firm we have policies and procedures in place to monitor auditor objectivity and independence on a regular basis. If any additional threats are identified, we will of course advise you immediately.

We also perform an annual review of completed audit engagements for quality control purposes.

If you would like to discuss any of the above, please contact us.

Appendices

1. Required communications with the Audit, Compliance and Governance Committee

Under the auditing standards, there are certain communications that we must provide to the Audit, Compliance and Governance Committee as those charged with governance. These include:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Plan
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Plan
With respect to misstatements: • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • a request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant.	Audit Completion Report
With respect to fraud communications: • enquiries of those charged with governance to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • a discussion of any other matters related to fraud.	Audit Completion Report Discussions at Audit, Compliance and Governance Committees
Significant matters arising during the audit in connection with the entity's related parties.	Audit Completion Report
Significant findings from the audit including: • our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters significant to the oversight of the financial reporting process or otherwise identified during the audit that we believe will be relevant to the Committee when fulfilling their responsibilities.	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report
Audit findings regarding non-compliance with laws and regulations	Audit Completion Report Discussions at Audit, Compliance and Governance Committees
Significant matters in relation to going concern.	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity.	Audit Completion Report
Confirmation of independence and objectivity of the firm and engagement team members.	Audit Plan Audit Completion Report

2. Implementation of IFRS 16 Leases

The CIPFA Code of Practice 2024/25 requires local authorities to adopt the provisions of IFRS 16 Leases from 1 April 2024. This standard replaces IAS 17 Leases.

The Code includes one adaptation to the standard for leases with nil consideration and several interpretations for the transitional arrangements applied at 1 April 2024. Under the transitional arrangements, local authorities are required to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 Leases and IFRIC 4.

The key tasks for authorities are:

- To apply the standard to any leases classified as such under IAS 17
- Consider any exemptions for existing contracts (short term and low value leases)
- Review any arrangements which are not covered by the transitional provisions (leases for nil consideration and, where relevant, housing tenancies)
- Determine and adopt accounting policies for recognition and measurement at transition
- Document key judgements and estimates
- Adjust opening balance sheet at transition (1 April 2024) for cumulative impact

CIPFA has mandated a 'cumulative catch-up' approach, in which the application is retrospective but does not restate comparative information. The cumulative effect of initial application should be recognised as an adjustment to the opening balances at the date of initial application (1 April 2024).

In the year of implementation additional disclosures will be required confirming that the change in accounting policy is in accordance with transitional provisions in Code and describing the nature of the change in accounting policy and the transitional provisions. Authorities will also be required to explain the difference between the operating lease commitments disclosed at 31 March 2024, discounted using the incremental borrowing rate at application date, and liabilities recognised at initial application date, and disclose the weighted average incremental borrowing rate applied to lease liabilities recognised in the Balance Sheet at the date of initial application.

As your auditors, we will engage with you to undertake early work on arrangements for transitional implementation as part of our interim audit. In order to facilitate this, best practice for authorities will be to prepare an accounting paper detailing:

- what the authority has done to identify arrangements covered by the Code's definition of a lease, including those which may not be covered by the transitional provisions such as those for nil consideration
- key accounting policy approaches, including the threshold for low value items and the framework for determining discount rates, and any supporting detail for those judgments
- any application of materiality and the justification for this, and the approach to determining any arrangements for consolidating leases into portfolios
- draft disclosures for the impact of the transitional arrangements.

3. Sector updates

Devolution and Local Government Reorganisation

On 16 December 2024 the Secretary of State for Housing, Communities and Local Government published the English Devolution White paper. The White Paper announced planned changes to the Devolution Framework, aimed at "completing the map" by establishing new Strategic Authorities throughout England. Although the White Paper allows for other options, these Strategic Authorities are intended to be partnerships of multiple Local Authorities across a large geography with their own Mayor. These Strategic Authorities will be given a range of competences in areas such as transport and local infrastructure and skills and employment support and empowered to deliver on them.

In concert with the Devolution Framework, the White Paper also announced a significant programme of Local Government Reorganisation. The programme will see an end to the remaining two-tier areas, with all local authorities reorganised into unitary councils. It is expected that these new unitary councils will have a minimum population of 500,000. The government's plan is for devolution and reorganisation to work in sequence in order to facilitate changes being made quickly, based on the proposals put forward by existing authorities.

Since the White Paper was published, six new devolved areas have been announced under the Devolution Priority Programme – Cumbria, Cheshire and Warrington, Greater Essex, Hampshire and Solent, Norfolk and Suffolk, and Sussex and Brighton.

Local audit reform and the local audit backstop

The White Paper also included proposals for local audit reform. A consultation was held from 18 December 2024 to 29 January 2025 to receive responses in this area. As of 12 February 2025, the Financial Reporting Council (FRC) stepped back from the role of system leader for local audit, to be replaced by the Local Audit Office which will combine powers and responsibilities currently dispersed across the sector.

Local audit reform follows on from the backstop arrangements implemented in 2024 to address the outstanding backlog of local authority audits. Outstanding audit opinions for the financial years 2022/23 and earlier were required to be issued by 13 December 2024 except in exceptional circumstances, in the form of a disclaimer if necessary. For 2023/24 opinions, this date was 28 February 2025. The system is intended to allow both local authorities and audit providers to focus their resources on current years of account, with the intention to rebuild assurance across a number of years in cases where disclaimers of opinion were necessary. For the next four years, the statutory publication date for unaudited accounts will be 30 June, while the planned backstop dates are:

- 2024/25: 27 February 2026
- 2025/26: 31 January 2027
- 2026/27: 30 November 2027
- 2027/28: 30 November 2028

Bishop Fleming

Audit · Accountancy · Tax · Advisory

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Cheltenham Borough Council

Audit, Compliance and Governance Committee

28 May 2025

Internal Audit Plan 2025/26 and Internal Audit Charter and Mandate

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Accountable member:

Councillor Peter Jefferies, Cabinet Member for Finance & Assets

Accountable officer:

Paul Jones, Deputy Chief Executive, Section 151 Officer

Ward(s) affected:

N/A

Key Decision: No

Executive summary:

The Council must ensure that it has sound systems of internal control which facilitate effective management of all the Council's functions. The work planned by SWAP Internal Audit Services, the Council's Internal Audit service, is one of the control assurance sources to the Audit, Compliance and Governance Committee and Leadership Team and which supports the work of the external auditor. The work is also a key component of the Council's governance framework and an assurance source supporting the Annual Governance Statement, which forms part of the statutory accounting standards.

The Internal Audit Charter is a requirement of the arrangement between Cheltenham Borough Council and SWAP Internal Audit Services (SWAP). The charter ensures compliance with good practice as set out in the new Global Internal Audit Standards and the UK Application Note.

Recommendation: That Audit, Compliance and Governance Committee:

1. **approves the Proposed 2025/26 Internal Audit Plan and the Internal Audit Charter & Mandate.**

1. Implications

1.1 Financial, Property and Asset implications

There are no financial, property and asset implications arising from this report.

Signed off by: Gemma Bell, Director Finance & Assets (Deputy Section 151 Officer), Gemma.Bell@cheltenham.gov.uk

1.2 Legal implications

There are no specific legal implications arising from the report and its recommendation.

Monitoring the implementation of Internal Audit recommendations assists the Council to minimise risk areas and thereby reduce the prospects of legal challenge.

Signed off by: Roslyn Howden, Senior Lawyer Roslyn.howden@onelegal.org.uk

1.3 Environmental and climate change implications

None arising from the report agreed actions

Signed off by: Maizy McCann, Climate Officer, Maizy.McCann@cheltenham.gov.uk

1.4 Corporate Plan Priorities

This report contributes to the following Corporate Plan Priorities:

- Making Cheltenham the Cyber Capital of the UK
- Working with residents, communities and businesses to help make Cheltenham #netzero by 2030
- Increasing the number of affordable homes through our £180m housing investment plan
- Ensuring residents, communities and businesses benefit from Cheltenham's future growth and prosperity
- Being a more modern, efficient and financially sustainable council

1.5 Equality, Diversity and Inclusion Implications

No implications arising from the report agreed actions.

1.6 Performance management – monitoring and review

The performance of SWAP Internal Audit Services is monitored by both the Audit, Compliance and Governance Committee and the Audit Partnership Board as detailed in the Internal Audit Charter.

Regular monitoring reports are provided to this Committee and, in the interim period regular meetings are held between Internal Audit and the Deputy Chief Executive. New and emerging risks are discussed, and the impact of the recommendations made by Internal Audit are discussed.

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2 Background

2.1 Internal Audit

The primary role of Internal Audit is to provide assurance that the Council's systems provide for a proper administration of its affairs. To this end, Internal Audit carries out a programme of audits that is agreed annually with the Council's Leadership Team and the Audit, Compliance and Governance Committee. The Internal Audit service is provided to the Council by SWAP Internal Audit Services (SWAP).

2.2 To satisfy the requirements of the Global internal Audit Standards and the UK Application Note, and to reflect changes within the Council, SWAP needs to focus upon areas where the organisation now requires assurance. This reinforces the requirement for Internal Audit to follow a more flexible and risk-based plan.

2.3 Internal Audit Charter and Mandate

The Internal Audit Charter and Mandate grants the internal audit function the authority to provide the audit committee and senior management with objective assurance, advice, insight, and foresight.

3 Reasons for recommendations

3.1 Internal Audit Plan

3.2 A summary of the Proposed Internal Audit Plan for 2025/26 is included in Appendix 'A'. This lists the risk-based assurance and consultancy work planned for the year. Counter fraud related audit work has not been included in this audit plan.

3.3 The Plan outlines a programme of work for 2025/26 as developed throughout January and February 2025 but due to the pace of change within Local Authorities, it is becoming increasingly difficult to accurately predict longer-term key organisational risks. Our approach to internal audit planning recognises this through a strategic 12 month rolling plan, whereby we have prepared an agile, risk assessed work plan containing key areas of coverage. This approach will ensure we are auditing the right areas, with the correct scope, at the right time.

3.4 We will revisit and adjust our programme of work on at least a quarterly basis to ensure alignment with the changing risk profile of the organisation's operations, systems and controls and with regard to sector risks. The regular input of senior management, and the Deputy Executive Officer, and review of the Authority's risk register will be considered in this process.

3.5 The audit plan contains an element of contingency in order that the plan can remain

flexible and respond to new and emerging risks as and when they are identified and may include unannounced activity.

3.6 Internal Audit Charter and Mandate

3.7 The Internal Audit Charter & Mandate (Appendix B) defines the nature, role, responsibility, status and authority of internal auditing within Cheltenham Borough Council and outlines the scope of internal audit work, thereby providing context for consideration of the proposed Internal Audit plan. This document has been reviewed in accordance with the new Global Internal Audit Standards (GIAS) and the UK Application Note effective from April 2025.

4 Alternative options considered

4.1 None

5 Consultation and feedback

5.1 The plan has been developed following consultation with and feedback from Service Managers Team, Leadership Team, the Internal Audit Team and the Audit, Compliance and Governance Committee.

6 Key risks

6.1 That potential weaknesses within the control framework are not identified and threaten the Council's objectives to meet its corporate priorities.

Report author:

Lucy Cater, Head of Internal Audit

Assistant Director, SWAP Internal Audit Services, Lucy.Cater@swapaudit.co.uk

Appendices:

Appendix A – Proposed Internal Audit Plan 2025/26
Appendix B – Internal Audit Charter and Mandate

Draft Internal Audit Plan 2025/26

It should be noted that the audit titles and high-level scopes included below are only indicative at this stage for planning our resources. At the start of each audit, an initial discussion will be held to agree the specific Terms of Engagement for the piece of work, which includes the objective and scope for the review.

Core Audit Areas – Areas of Coverage and Brief Scope	Directorate
Core Financial Processes • *Main Accounting/Budgetary Control – service area income streams reconciliation to the Council's financial management system* • *Bank Reconciliation* • *Treasury Management* • *Payroll*	**Finance & Assets**
Core Financials – Publica Controls and Transactional Testing *A review of the controls operating within Publica in respect of the Core Financial systems:* • *Accounts Payable (Creditors)* • *Accounts Receivable (Debtors)* • *Payroll* • *Bank Reconciliation* • *Procurement*	**Publica Business Services**
Human Resources • *Human Resources*	**Corporate Services**
Revenues and Benefits *A review of the controls operating in respect of:* • *Council Tax* • *National Non-Domestic Rates* • *Housing Benefit and Council Tax Support* *Scope to be confirmed*	**Finance & Assets**
ICT Audits *Audits to be discussed and confirmed with the Chief Technology Officer and ICT Audit and Compliance Manager*	**ICT**
Regulatory Services *A review of either Licensing / Environmental Health / Planning – area to be confirmed*	
Housing Services Compliance *A review of controls operating in respect of 3 of the 6 compliance areas – Fire Safety, Asbestos and Water.* (Reviews of Gas Safety, Lift Maintenance and Electrical Safety will be undertaken in 2026/27)	

Proposed Audit Areas – Areas of Coverage and Brief Scope	
Risk Management *Escalating Operational / Strategic Risks* *Review to assess how high scoring operational / strategic risks are included on the Council's Corporate Risk Register, to ensure Statutory Officers are aware of any potential risks to the Council and can suggest measures for mitigation*	
Performance Management *Health check of Performance Data submitted on Government Returns, to include review of data quality, validity etc to include Planning Service Data*	
Climate Change - Operational *Review to assess what business areas are doing to support the Council's commitment to the Climate Emergency*	
Climate Change *Assessment of the Council's commitment to Carbon Reduction targets / Climate Emergency*	
Carbon Reduction *Review to assess how carbon data is measured ensuring the Council continues to meet its commitment to carbon reduction.*	
Planning Performance Agreements *Review control and transparency of Planning Performance Agreements*	
Biodiversity – Compliance for Councils *Review to ensure the Council is meeting its obligations in respect of Biodiversity Legislation. Biodiversity Net Gain*	
Building Control *Compliance with Building Safety Regulations (new legislation)*	
Household Support Grants *Ensure payments made from Government Funding have been allocated / spent in accordance with guidance (Foodbank / Baby Account)*	
Preparedness for the switch from Analogue to Digital in 2026 *Ensure preparedness of the Council for services to switch from analogue to digital - will affect e.g. lifeline service, lift telephones, fax machines etc*	
Digital Discrimination *Ensure all channels of communication are made available (for all services / consultations) to customers and stakeholders*	
Housing Services Reviews *Service areas to be confirmed. Suggestions include, Business Continuity, Voids Processes, Repairs/Leaseholders Recharging Mechanisms*	

Leisure and Culture Facilities *Review to determine how the Council ensures the leisure service provider(s) are adhering to statutory Health and Safety regulations. Review to include the examination of tests such as fixed wire testing, fire alarm systems and emergency lighting tests.*	
Staff Welfare *Assessment of the support in place for staff welfare, during world, national and local issues which may impact staff wellbeing. To Include training for members and officers, data collated from leaver exit interviews and how it is actioned, issues raised in one to ones (collated and actioned)*	
Environment Legislation *Review to ensure procedure / systems have been updated to ensure compliance with Environment Act*	
Car Parking *Scope to be agreed*	
Section 106s & CIL Arrangements *Follow-Up of 2023/24 Limited Audits to include review of fees and charges and declarations of interest*	
Grant Income *Follow-Up of 2023/24 Limited Audit*	
Property and Estates (Compliance and Health and Safety) *Follow-Up of 2024/25 Limited Audit*	
CBH Transition Programme *Time allocated to support the CBH Transition into CBC*	
Proposed audits will be considered, during the year, and discussed with Service Managers, Directors, and Statutory Officers, to confirm scope, timing and if it remains appropriate to undertake the audit. Where applicable Publica Business Managers will be consulted. Liaison meetings will also identify any further areas (not included above) that would benefit from an Internal Audit Review. The Audit Plan will be updated and agreed with the S151 Officer as necessary.	
Further requested assurance / advisory / support work	

Other Audit Involvement	
Management *Preparation of IA Monitoring Reports and preparation and attendance at Audit, Compliance & Governance Committee. Annual Audit Planning. Attendance at Governance Groups. High level programme monitoring. Liaison meetings with CFO and Management Team. IA Team Liaison Meetings.* **Follow-Up Audits** *Follow-Up of Previous Year's Agreed Actions* **Programmes and Projects** *IA support to programmes and projects as appropriate* **Specialist Groups** *IA attendance at specialist groups e.g. Procurement and Commissioning* **Grant Certification** *Review (income and expenditure) and certification of Grants received by the Council ensuring funding requirements have been met (to include Disabled Facilities Grants)* **Working with the Counter Fraud and Enforcement Unit** *Provision to ensure collaborative working with the CFEU and to ensure control weaknesses, identified during CFEU activity, are being actioned. Regular liaison meetings* **Contingency** *Provision for new work based on emerging risks and Investigations.*	

Internal Audit Charter for SWAP Internal Audit Services (SWAP)

Purpose

SWAP Internal Audit Services creates, protects, and sustains value by providing the audit committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight, that meets rigorous professional standards.

The internal audit function enhances:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

The internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with the Institute of Internal Auditors Global Internal Audit Standards™ which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the audit committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adherence to the Global Internal Audit Standards

The Accounts and Audit (England) Regulations, 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 the public sector internal auditing standards or guidance."*

The internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements subject to the Application Note for UK Public Sector Internal Audit. The chief audit executive will report annually to the partner audit committee and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program, managed and monitored by the SWAP senior management team and the SWAP board.

Mandate

Authority

The audit committee grants the internal audit function the mandate to provide the audit committee and senior management with objective assurance, advice, insight, and foresight.

The internal audit function's authority is created by its direct reporting relationship to the audit committee. Such authority allows for unrestricted access to the audit committee.

The audit committee authorises the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of the Partner and other specialized services from within or outside the Partner organisation to complete internal audit services.

Independence, Organisational Position, and Reporting Relationships

The chief audit executive will be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. The chief audit executive will report functionally to the audit committee and administratively (for example, day-to-day operations) to the [chief executive officer or equivalent/senior officer e.g., section 151 Officer]. This positioning provides the authority and status to bring matters directly to senior management and escalate matters to the audit committee, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The chief audit executive will confirm to the audit committee, at least annually, the organisational independence of the internal audit function. If the governance structure does not support organisational independence, the chief audit executive will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The chief audit executive will disclose to the audit committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the chief audit executive, audit committee, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant acquisition or reorganisation within the organisation.
- Significant changes in the chief audit executive, audit committee, and/or senior management.
- Significant changes to the organisation's strategies, objectives, risk profile, or the environment in which the organisation operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

Audit Committee Oversight

To establish, maintain, and ensure that the internal audit function has sufficient authority to fulfill its duties, the audit committee will:

- Discuss with the chief audit executive and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure the chief audit executive has unrestricted access to, communicates, and interacts directly with the audit committee, including in private meetings without senior management present.
- Ensure arrangements are in place to notify the chief audit executive of all suspected or detected fraud, corruption, or impropriety.
- Discuss with the chief audit executive and senior management other topics that should be included in the internal audit charter.
- Participate in discussions with the chief audit executive and senior management about the "essential conditions," described in the Global Internal Audit Standards in the UK Public Sector, which establish the foundation that enables an effective internal audit function.
- Approve the internal audit function's charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the internal audit charter [annually] with the chief audit executive to consider changes affecting the organisation, such as the employment of a new chief audit executive / head of internal audit or changes in the type, severity, and interdependencies of risks to the organisation; and approve the internal audit charter [annually].
- Approve the risk-based internal audit plan.
- Collaborate with senior management to determine the budgets, qualifications, and competencies the organisation expects in a chief audit executive, as described in the Global Internal Audit Standards in the UK Public Sector.
- Review the chief audit executive's performance, provide feedback to the SWAP CEO, plus senior management, and the organisation's CEO.
- Receive communications from the chief audit executive about the internal audit function including its performance relative to its plan.
- Ensure a quality assurance and improvement program has been established.
- Review of the results of the quality assurance and improvement program annually.
- Make appropriate inquiries of management and the chief audit executive to determine whether scope or resource limitations are inappropriate.

Chief Audit Executive Roles and Responsibilities

Ethics and Professionalism

The chief audit executive will ensure that internal auditors:

- Conform with the Global Internal Audit Standards in the UK Public Sector, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the Partner organisation and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organisation.
- Report organisational behavior that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.

Objectivity

The chief audit executive will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the chief audit executive determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for the Partner organisation or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any Partner organisation's employees that are not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the chief audit executive, audit committee, management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Function

The chief audit executive has the responsibility to:

- At least annually, submit a risk-based internal audit plan to the audit committee and senior management for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the audit committee and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in the Partner organisation's business, risks, operations, programs, systems, and controls.
- Communicate with the audit committee and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards in the UK Public Sector.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the audit committee and senior management [annually] and for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the Global Internal Audit Standards in the UK Public Sector and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact the Partner organisation and communicate to the audit committee and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to the Partner organisation's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards in the UK Public Sector. Any such conflicts will be resolved or documented and communicated to the audit committee and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the chief audit executive cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the audit committee.

Communication with the Audit Committee and Senior Management

The chief audit executive will report [annually] to the audit committee and senior management regarding:

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.
- Significant revisions to the internal audit plan.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards in the UK Public Sector and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the audit committee.
- Results of assurance and advisory services.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the Partner organisation's risk appetite.
- Clarification over the responsibility to complete a fraud risk assessment, and presentation of this where responsibility belongs to SWAP.

Quality Assurance and Improvement Program

The SWAP senior leadership team in collaboration with the chief audit executive / will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards in the UK Public Sector, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the chief audit executive will communicate with the audit committee and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be completed at least once every five years by a qualified, independent assessor or assessment team from outside both SWAP and the Partner Organisation; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential.

Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the organization, including all the Partner organisation's activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the audit committee and management on the adequacy and effectiveness of governance, risk management, and control processes for the Partner organisation.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of the Partner Organisation's strategic objectives are appropriately identified and managed.
- The actions of the Partner organisation's officers, directors, management, employees, and contractors comply with the Partner organisation's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Partner organisation.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

Approval/Signatures

_____	_____
Chief Audit Executive	**Date**
_____	_____
Audit Committee Chair	**Date**
_____	_____
Chief Executive Officer (SWAP)	**Date**

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Agenda Item 7

Cheltenham Borough Council

Audit, Compliance and Governance Committee

28 May 2025

Internal Audit Update

Accountable member:

Councillor Peter Jefferies, Cabinet Member for Finance & Assets

Accountable officer:

Paul Jones, Deputy Chief Executive, Section 151 Officer

Ward(s) affected:

N/A

Key Decision: No

Executive summary:

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 (SWAP), the Council's internal audit service, is one of the control assurance sources available to the Audit, Compliance and Governance Committee, the Executive Leadership Team and Service Leadership Team and supports the work of the external auditor.

The Annual Internal Audit Opinion presented to the Audit, Compliance and Governance Committee provides an overall assurance opinion at the end of the financial year. This Internal Audit Progress Report, however, is designed to give the Audit, Compliance and Governance Committee the opportunity to comment on the work completed by the partnership and provide 'through the year' comment and assurances on the control environment.

Recommendation: That Audit, Compliance and Governance Committee:

1. **considers the attached reports and makes comment on its content as necessary.**

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1. Implications

1.1 Financial, Property and Asset implications

There are no financial, property and asset implications arising from this report.

Signed off by: Gemma Bell, Director Finance & Assets (Deputy Section 151 Officer), Gemma.Bell@cheltenham.gov.uk

1.2 Legal implications

There are no specific legal implications arising from the report and its recommendation.

Monitoring the implementation of Internal Audit recommendations assists the Council to minimise risk areas and thereby reduce the prospects of legal challenge.

Signed off by: Roslyn Howden, Senior Lawyer, Roslyn.howden@onelegal.org.uk

1.3 Environmental and climate change implications

None arising from the report agreed actions

Signed off by: Maizy McCann, Climate Officer, Maizy.McCann@cheltenham.gov.uk

1.4 Corporate Plan Priorities

This report contributes to the following Corporate Plan Priorities:

- Making Cheltenham the Cyber Capital of the UK
- Working with residents, communities and businesses to help make Cheltenham #netzero by 2030
- Increasing the number of affordable homes through our £180m housing investment plan
- Ensuring residents, communities and businesses benefit from Cheltenham's future growth and prosperity
- Being a more modern, efficient and financially sustainable council

1.5 Equality, Diversity and Inclusion Implications

No implications arising from the report agreed actions.

1.6 Performance management – monitoring and review

Regular monitoring reports are provided to this Committee and, in the interim period regular meetings are held between Internal Audit and the Deputy Chief Executive. New and emerging risks are discussed, and the impact of the recommendations made by Internal Audit are discussed.

---

2 Background

2.1 The Audit Plan for 2024/25 was approved by this Committee in April 2024. The progress report enables the Audit Committee to monitor the work of the Internal Audit Service and ensure that it remains effective. It also provides the Committee with assurance opinions over areas reviewed within the reporting period, details of audit recommendations and the outcome of follow-up reviews conducted on previous audit recommendations.

2.2 We continue to follow up all agreed actions. A report (Annex B) showing all open agreed actions and those that have been actioned during 2024/25 has been included for Members information.

3 Reasons for recommendations

3.1 This report highlights the work completed by Internal Audit and provides comment on the assurances provided by this work.

4 Alternative options considered

4.1 None

5 Consultation and feedback

5.1 None

6 Key risks

6.1 That weaknesses within the control framework, identified by the Internal Audit Activity, continue to threaten organisational objectives, if agreed actions are not implemented.

Report author:

Lucy Cater, Head of Internal Audit

Assistant Director, SWAP Internal Audit Services, Lucy.Cater@swapaudit.co.uk

Appendices:

Appendix A – Internal Audit Progress Report, May 2025

Appendix B – Open Agreed Actions

Background information:

N/A

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SWAP
INTERNAL AUDIT SERVICES
Helping Organisations to Succeed

Cheltenham Borough Council

Report of Internal Audit Activity

May 2025

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

Unrestricted

Contents

The contacts at SWAP in connection with this report are:

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lucy.cater@swapaudit.co.uk

Jaina Mistry
Principal Auditor
Tel: 01285 623337
jaina.mistry@swapaudit.co.uk

- Contents:

Internal Audit Definitions

Audit Plan Progress

Finalised Audit Assignments

SWAP 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.

Internal Audit Definitions

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

- **No**
- **Limited**
- **Reasonable**
- **Substantial**

Audit Framework Definitions

Control 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.

Non-Opinion – In addition to our opinion based work we will provide consultancy services. The "advice" offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

Internal Audit Definitions

Recommendations are prioritised from 1 to 3 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.

Audit Framework Definitions

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

	Categorisation of Recommendations
Priority 1	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management
Priority 3	Finding that requires attention.

Definitions of Risk

Risk	**Reporting Implications**
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Audit Plan Progress

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
Operational	Funding Provided by Government	Final Report	Low Substantial	1	-	1	-	Reported in October
Operational	Planning Service Review	Final Advisory Report	N/A	5	0	5	-	Reported in October
Operational	Accounts Payable – Qtly Review – 2023/24	Final Report	High Substantial	0	-	-	-	Reported in October
Operational	Appointment of Consultants	Final Report	Mid Reasonable	2	-	1	1	Reported in October
Operational	Property and Estates – Health and Safety	Final Report	Mid Limited	3	-	3	-	Reported in January
Key Financial Control	Revs and Bens – Council Tax and NNDR	Final Report	High Substantial	1	-	-	1	Reported in January
Key Financial Control	Revs and Bens – Council Tax Support and Housing Benefits	Final Report	High Substantial	0	-	-	-	Reported in January
Operational	CBH – Voids Review	Final Advisory Report	N/A	8	2	6	0	Report Included
Key Financial Control	Payroll	Audit in Progress						
Operational	Accounts Payable – Continuous Review – 2024/25	Audit in Progress						
Governance	Data Maturity	Audit in Progress						
Operational	Homelessness Deposit Scheme	Final Report	Low Limited	4	2	2		Report Included

Audit Plan Progress

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
Operational	Counter Fraud and Enforcement Unit	Draft Report						
Operational	Members Allowances	Final Report	Low Reasonable	2	-	2	-	Report Included
Operational	Recharging Mechanisms (Housing Services)	Audit in Progress						
Follow Up	Grant Income Follow Up	Audit in Progress						
ICT	3rd Party ICT Outage	Ready to Start						
Grant Certification	Carbon Data 2023/24	Ready to Start						
Support	Business Grant Funding – Aged Debt	On-Going						Quarterly review of Business Grant Overpayment Aged Debts with Head of Service, Counter Fraud and Enforcement Unit for reporting to DBT
Advisory	Support to the CBH Transition Programme	On-Going						
Advisory	Procurement and Commissioning Group	On-Going						
Advisory	Corporate Governance Group	On-Going						
Follow-Up	Follow-Up of Agreed Actions (not included in an audit above)	On Going						
Other Audit Involvement	Working with the Counter Fraud and Enforcement Unit	On Going						

Audit Plan Progress

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
Other Audit Involvement	Management of the IA Function and Client Support	On Going						
Other Audit Involvement	Contingency – Provision for New Work based on emerging risks							

The following are the Internal Audit reports, of each audit review finalised, since the last Committee update

Voids Process – Final Report – October 2024

Audit Objective	To review the management of void properties including ordering, inspection, monitoring and payment processes.

Executive Summary

Assurance Opinion	Management Actions		Organisational Risk Assessment	High
The advice provided in this report encompasses risk analysis and evaluation based on current activity/operations. Please see the conclusions box for details of why an advisory report has been used.	Priority 1	2	Our audit work includes areas that we consider have a high organisational risk and potential impact.	
	Priority 2	6		
	Priority 3	0		
	Total	8		

NB: The findings below are a reflection of the audit at the time of fieldwork: July – August 2024

Since issuing our report, work is still ongoing to address the control weaknesses identified. The delay in reporting formally is due to subsequent investigations.

Key Conclusions

There is no Voids Management policy or process documentation in place. The HHSRS (Healthy Homes Safety Rating Standard) is considered, but this is just guidance and there are no specific measures, therefore it is subjective and works undertaken are inconsistent.

The Council's Financial Rules are not complied with. Substantial expenditure exceeding the Council's procurement thresholds, and those of the UK Procurement Act, is being awarded to companies whose contracts have expired. There was evidence of multiple orders raised against properties to keep within the £10k limit.

Financial controls are not robust.

- General budget monitoring activity is ineffective. There is no budget monitoring activity within the Voids Service area
- 36 officers within the Repairs team have order approval permissions
- Quotations were not accessible, or were non-existent as works were ordered verbally
- Works orders can be raised and approved by the same officer up to the value of £10k
- Orders were inconsistent and did not always agree with works identified in pre-inspection documentation
- Orders were often raised after the works were completed to facilitate payment of the invoice
- Records maintenance is poor

Audit Background and Scope

Following the transfer of Housing Services back into the Council, the Director of Governance & Customer Services requested a Voids Process audit be undertaken. Concerns regarding process, procedure and expenditure had been raised.

Controls reviewed included:

- Policy and procedure/guidance
- Financial control arrangements - works awards, purchase orders, payment processes, budget monitoring, etc
- Management oversight and monitoring

Data analysis was undertaken on:

- All orders raised within QL (since 2019)
- Orders raised using the voids code in QL
- All expenditure with 2 specific contractors who were out of contract
- Voids code expenditure on Business World covering the last 5 years

Unrestricted

	The current structure does not support for effective management oversight. There is only one officer within the Building Services team who can approve orders over £10k. This means that works may be delayed and therefore perhaps a culture of splitting orders into smaller values has developed.	
	Declarations of Interests forms are not completed annually. We identified instances of conflicts of interest that could be subject to accusations of corruption or inappropriate gain.	

Summary

The root cause for the weaknesses and control failings identified in this review are based around a culture of trust and expectations that officers will undertake their roles effectively given they have been in these roles for many years. However, these expectations if not managed effectively can lead to cutting corners to meet service demands, and risk breaching controls that are in place to protect officers, as well as providing the direction that the Council operates in.

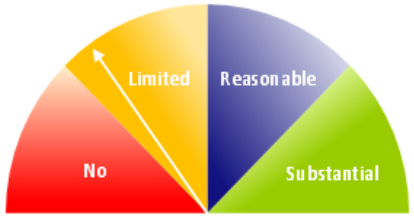
The actions agreed in this review will help to address these findings. We can confirm that work is already underway and that we will follow up on progress in due course.

Unrestricted

Homelessness Deposit Loan Scheme – April 2025

Audit Objective To provide assurance on the effectiveness of CBCs process with regard to homelessness initiatives.

Executive Summary



Assurance Opinion

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.

Management Actions

Priority 1	2
Priority 2	2
Priority 3	-
Total	4

Organisational Risk Assessment

Medium

Our audit work includes areas that we consider have a medium organisational risk and potential impact.

Key Conclusions

- Signed loan agreement forms are not being consistently returned to the Housing Options team. Deposit Loans are regulated credit agreements and subject to requirements of the 1974 Consumer Credit Act. A signed agreement must be obtained by CBC to evidence statutory compliance and facilitate enforcement rights.
- Internal financial controls are weak, with no process to record repayments against individual loans or record of the number of loans currently running. The Council has a statutory responsibility to maintain adequate records and steps need to be taken to strengthen controls in this area in order for the current method of provision to continue.
- Testing revealed instances of non-payment of deposit loan instalments with no corresponding follow-up action taken. This lack of recovery action poses a risk of potential financial loss and non-compliance with deposit loan repayment terms.
- The quality and availability of management information is poor. Current information lacks timeliness, relevance, and accuracy. The reliability of the Locata system was poor throughout the audit and basic information was unavailable on occasions. This issue has been identified as having the potential to adversely impact decision-making and the ability to effectively monitor and control operations.
- Housing Benefit claims made in respect of overnight/emergency accommodation placements were complete with effective controls operating. All queries were satisfactorily resolved.

Audit Scope

The following processes were reviewed:

- Formal loan agreements outlining terms and conditions, eligibility, repayment schedules, and consequences of default.
- Loan recovery procedures - collection of instalments, follow up of borrowers in default including tracking and flagging of overdue accounts and overpayments.
- Financial controls, including reconciliation of funds disbursed, segregation of duties etc.
- Process and effectiveness of Housing Benefit claims made on behalf of CBC in respect of provision of temporary accommodation.

NB. Analysis of administration costs against amounts collected was not possible due to a lack of appropriate data/records.

Other Relevant Information

Users of the Deposit Loan Scheme are often vulnerable people and management are wary of being overly robust in enforcing repayment. Management have advised that it is legitimate to provide this funding on a non-repayable basis and that any repayments received contribute to support the overall Homelessness budget. However, there are statutory requirements involved with credit provision which are not being observed and potential reputational damage to the Council in not attempting to recover amounts due.

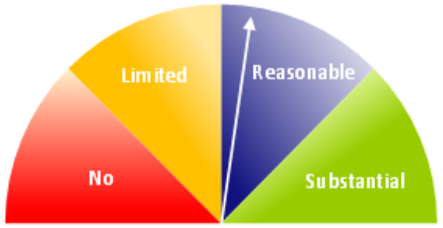
We suggest that consideration be given to reviewing the mechanism by which this support is delivered, such as provision of funding in the form of a grant (i.e non-repayable) or as a bond scheme, whereby landlords are provided with a written guarantee for a deposit up to an agreed value.

Unrestricted

Members Allowances – April 2025

Audit Objective	To provide assurance that allowances and expenses claimed by Members are in accordance with the Council's Constitution, financial regulations, HMRC regulations and best practice.

Executive Summary



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.

Management Actions

Priority 1	-
Priority 2	2
Priority 3	-
Total	2

Organisational Risk Assessment

Low

Our audit work includes areas that we consider have a low organisational risk and potential impact.

Key Conclusions

Members Allowance Scheme guidance is not being followed with regard to expense claims. This includes instances where claims do not align with the outlined policies or where proper documentation is lacking. It's important to address this issue to ensure compliance with regulations and maintain the integrity of the expense claim process.

Agreed policy/procedure is not being followed when processing Member expense claims. Non-compliance was established in respect of provision of receipts, timeliness of submission and level of detail entered with regard to mileage claimed. Non-compliance poses a risk to the Council's financial integrity. Non-submission of receipts also prevents VAT being reclaimed, where eligible.

Our review of Members Allowance processing was satisfactory in all respects, with effective controls operating. All queries were satisfactorily resolved.

Audit Scope

The following processes were reviewed:

- Procedure/guidance for the administration of Members Allowances and Expenses.
- Members Allowance scheme setting and budget monitoring activity.
- Review of Allowances paid to Members ensuring adherence with Schedule of Annual Allowances.
- Review of Expenses submitted by Members ensuring appropriateness and compliance with VAT regulations.

The period examined was financial year 2024/25.

Other Relevant Information

It was evident from our testing that Members often choose not to claim allowances or expenses to which they may be entitled (Dependent Carers Allowance, for example).

Democratic Services have their own internal guidance document outlining requirements for processing Member expense claims. This gives a deadline for submission of claims as being three months from the date that the expenditure was incurred. S.6 of the CBC Constitution gives this period as two months. This should be addressed and the two documents standardised.

Unrestricted

Agreed Actions – May 2025

SWAP Action Tracker - Cotswold and Cheltenham Team | Analytics DB Access

SWAP INTERNAL AUDIT SERVICES
Helping Organisations to Succeed

Open Management Actions

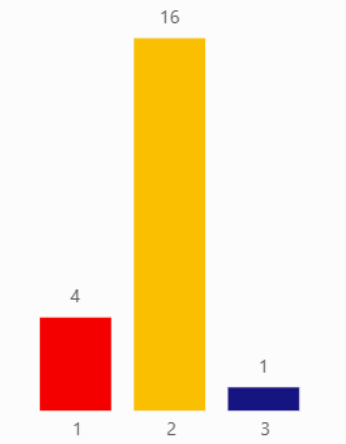
Organisation

Cheltenham Borough Council

- ■ Cheltenham Borough Council
- ☐ Cheltenham Borough Homes
- ☐ Cotswold District Council
- ☐ Forest of Dean District Cou...
- ☐ Publica
- ☐ West Oxfordshire District C...

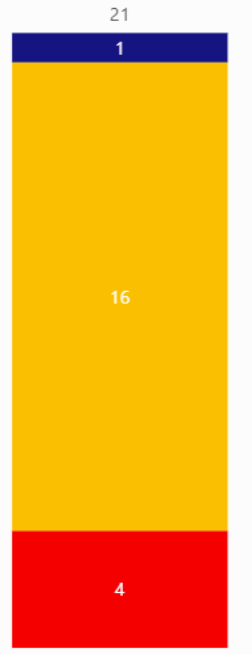
Not yet due	Due within 30 days	1-30 days overdue	31-60 days overdue	61-90 days overdue	91+ days overdue	Total Actions
12	2	4	3	(Blank)	(Blank)	21

Open Actions by Priority



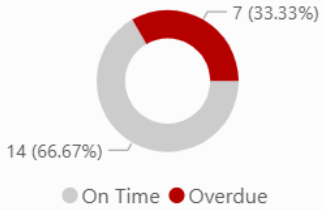
Open Actions by Organisation

Priority ●1 ●2 ●3

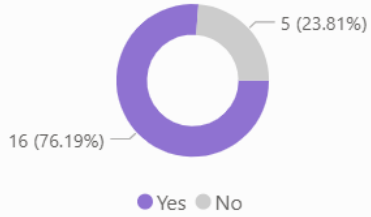


Open/Closed Actions

Overdue Open Actions



Open Actions with Extended Dates



Management Actions | Open Action Plan Details | Closed Action Plan Details | Self Assessed Complete Action Plan Details

Agreed Actions May 2025

AP ID	ID	Audit Title	Issue Title	Issue Status	Period	Priority Score	AP Status	Original Timescale	Timescale	Follow-Up Assessment
4157	3897	CBC - S106 Process - 2023/24	Manual Spreadsheets are in use, rather than the Exacom system.	Pending Remediation	2023/24	2	In Progress	30/09/2024	31/05/2025	CHP 29/4/25: Update from Governance, Risk and Assurance Manager - TB was waiting on One Legal. Governance, Risk and Assurance Manager will chase TB again. Deadline extended.
4187	3926	CBC - Grant Income - 2023/24	Grant funding terms and conditions	Pending Remediation	2023/24	2	In Progress	30/09/2024	31/03/2025	AM 29/04/2025: Part A of this action is complete as the new grants management policy covers this requirement. Part B of this action is not complete as signed agreements are not available for all grants tested. It's suggested that this action is superseded by a new action to review all grant funding to ensure signed agreements are in place.
4188	3927	CBC - Grant Income - 2023/24	Assessment and awarding grants	Pending Remediation	2023/24	2	In Progress	30/09/2024	31/03/2025	AM 29/04/25: Part A of this action is complete as evidence of the conflict of interest process and completed conflict of interest forms have been provided. Part B & C are covered by the new Grants Management Policy. However, evidence of compliance with this policy is not available as the responsible officer advised that the process is still embedding. It's suggested this action is closed and superseded by an action from the follow up audit to check segregation of duties and due diligence checks have been applied as per the new policy.
5092	4762	CBC - Property & Estates H&S Compliance 2024/25	There is no overarching policy or procedures for the Property Team	Pending Remediation	2024/25	2	In Progress	31/01/2025	30/06/2025	CHP 27/3/25: Update provided by Governance, Risk and Assurance Manager 17/03/2025 - Principal Building Surveyor working with new H&S Business Partner (KM) on reviewing and updating Property related policy documents. Delay due to number of changes H&S BP - requested an extension of a further 3-6 months. Deadline extended by 3 months.
5094	4763	CBC - Property & Estates H&S Compliance 2024/25	Risk assessments have not been undertaken for relevant properties	Pending Remediation	2024/25	2	In Progress	31/01/2025	30/06/2025	CHP 27/3/25: Update from Governance, Risk and Assurance Manager 17/03/2025 - LE requesting an extension of time - a further 3-6 months. Deadline extended by 3 months.
5143	4809	CBH - Voids Review - 2024/25	There is no Voids Management Policy or Procedure.	Pending Remediation	2024/25	1	In Progress	31/12/2024	30/09/2025	CHP 30/4/25: Update from Governance, Risk and Assurance Manager - Director of Governance, Housing and Communities requested that the deadline be extended to September 2025,
5144	4810	CBH - Voids Review - 2024/25	Financial Rules are not complied with – Procurement	Pending Remediation	2024/25	1	In Progress	31/12/2024	31/03/2025	CHP 30/4/25: The Governance, Risk and Assurance Manager advised that this is complete and sent evidence, however we will need further evidence in order to close this action. Evidence requested.
5145	4811	CBH - Voids Review - 2024/25	Financial Rules are not complied with – Multiple words orders	Pending Remediation	2024/25	2	In Progress	31/12/2024	30/04/2025	CHP 29/4/25: Update from Governance, Risk and Assurance Manager - Governance, Risk and Assurance Manager to chase and get back to CHP.
5146	4812	CBH - Voids Review - 2024/25	Quotations are not easily accessible, and records maintenance is poor	Pending Remediation	2024/25	2	In Progress	31/12/2024	30/09/2025	CHP 30/4/25: Update from Governance, Risk and Assurance Manager - Director of Governance, Housing and Communities requested that the deadline be extended to September 2025, as a full review will need to be conducted and this will take some time.
5147	4813	CBH - Voids Review - 2024/25	Orders are raised and approved by the same officer.	Pending Remediation	2024/25	2	In Progress	31/12/2024	30/04/2025	CHP 29/4/25: Update from Governance, Risk and Assurance Manager - Governance, Risk and Assurance Manager to chase and get back to CHP.

AP ID	ID	Audit Title	Issue Title	Issue Status	Period	Priority Score	AP Status	Original Timescale	Timescale	Follow-Up Assessment
5150	4816	CBH - Voids Review - 2024/25	Lack of Management Oversight	Pending Remediation	2024/25	2	In Progress	31/12/2024	30/04/2025	CHP 29/4/25: Update from Governance, Risk and Assurance Manager - Governance, Risk and Assurance Manager to chase and get back to CHP.
5167	4832	CBC - Property & Estates H&S Compliance 2024/25	Manual processes in place are unreliable	Pending Remediation	2024/25	2	In Progress	31/01/2025	31/05/2025	CHP 2/5/25: Meeting held with Principal Building Surveyor - more work required - deadline extended. They advised they are also working on a master spreadsheet to replace all individual spreadsheets within folders, which will supersede those spreadsheets once complete.
6205	5816	CBC - Homelessness Deposit Loan Scheme 2024/25	Unsigned Loan Agreements	Pending Remediation	2024/25	1	In Progress	31/03/2025	30/06/2025	
6207	5818	CBC - Homelessness Deposit Loan Scheme 2024/25	Weakness of Internal Controls	Pending Remediation	2024/25	1	In Progress	30/06/2025	30/06/2025	
6338	5940	CBC - Homelessness Deposit Loan Scheme 2024/25	Absence of Follow-Up Action for Non-Payment of Deposit Loan Instalments.	Pending Remediation	2024/25	2	In Progress	30/06/2025	30/06/2025	
6339	5941	CBC - Homelessness Deposit Loan Scheme 2024/25	Inadequate Management Information Produced	Pending Remediation	2024/25	2	In Progress	30/06/2025	30/06/2025	
6485	6071	CBC - Members Allowances 2024/25	Members expense claims are not claimed in accordance with the Members Allowance	Pending Remediation	2024/25	2	In Progress	30/06/2025	30/06/2025	
6486	6072	CBC - Members Allowances 2024/25	Member expense claims not authorised appropriately	Pending Remediation	2024/25	2	In Progress	30/06/2025	30/06/2025	
3175	2968	PUB - ICT Business Continuity/Disaster Recovery 2023/24	ICT and Emergency Planning formal Engagement and Alignment	Pending Remediation	2023/24	2	In Progress	31/03/2024	31/07/2025	April 2025: Timescale extended at the request of the CTO.
3536	3313	PUB - Use of Waivers - 2023/24	Contract Waiver Report Templates	Pending Remediation	2023/24	3	In Progress	31/12/2024	31/08/2025	JM 12/05/25: The updated waiver template has been implemented at CBC, cut is currently outstanding at the other partner authorities.

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Agenda Item 8

Cheltenham Borough Council

Audit, Compliance and Governance Committee

28 May 2025

Counter Fraud and Enforcement Unit Report

Accountable member:

Cabinet Member Finance and Assets, Councillor Peter Jeffries

Accountable officer:

Paul Jones, Deputy Chief Executive (S151 Officer)

Ward(s) affected:

All indirectly

Key Decision: No

Executive summary:

The purpose of the report is to provide the Audit, Compliance and Governance Committee with assurance over the counter fraud activities of the Council. Direct updates will continue to be provided biannually.

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

The report also provides the annual update in relation to the Regulation of Investigatory Powers Act 2000 (RIPA), the Investigatory Powers Act 2016 (IPA) and the Council's existing authorisation arrangements.

Recommendations:

That the Audit, Compliance and Governance Committee:

Considers and comments on the report.

1. Implications

1.1. Financial, Property and Asset implications

The Council has a duty to prevent fraud and corruption with Section 3 of the report providing members with an update on the work of CFEU and the increased revenue and penalties applied following casework and successful investigations. The report details the following:

- Revenue - £124,412 (includes Council Tax revenue which is ultimately shared amongst precepting authorities)
- Penalties - £1,743
- Loss Avoidance - £34,264

The service is a shared one across the County and as such overheads and management costs are also shared equally meaning there is increased value for money however there are other counter fraud provision options which could be considered if the Council wished to explore alternative arrangements.

Signed off by: Gemma Bell, Director of Finance and Assets (Deputy S151 Officer), Gemma.Bell@cheltenham.gov.uk

1.2. Legal implications

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

The Authority is required to ensure that it complies with the Regulation of Investigatory Powers Act 2000, the Investigatory Powers Act 2016 and any other relevant/statutory legislation regarding investigations. Any authorisations for directed/covert surveillance or the acquisition of communications data undertaken should be recorded appropriately in the Central Register.

Signed off by: One Legal, legalservices@onelegal.org

1.3. Environmental and climate change implications

None directly.

1.4. Corporate Plan Priorities

This report contributes to the following Corporate Plan Priorities:

- Being a more modern, efficient and financially sustainable council

1.5. **Equality, Diversity and Inclusion Implications**

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

The Counter Fraud and Enforcement Unit seeks to ensure that public authorities' actions are consistent with the Human Rights Act 1998 (HRA). It balances safeguarding the rights of the individual against the needs of society as a whole to be protected from crime and other public safety risks.

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2. Background

2.1. In administering its responsibilities, the Council has a duty to prevent fraud and corruption, whether it is attempted by someone outside or within the Council such as another organisation, a resident, an employee or a Councillor.

2.2. The Council is committed to an effective counter fraud and corruption culture, by promoting high ethical standards and encouraging the prevention and detection of fraudulent activities, thus supporting corporate priorities and community plans.

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

2.4. Work plans have been agreed with the Director of Finance and Assets, the Director of Governance, Housing and Communities and members of the Councils Senior Management and details relating to work delivery are presented in this report to Audit, Compliance and Governance Committee, as the body charged with governance in this area.

2.5. The work plan for 2024/25 included a focus on fraud risk mitigation regarding grant schemes and polygamous working as high-risk areas. A Grant Management Policy has been approved and the supporting toolkit detailing fraud risk areas, mitigation and suggestions relating to verification activities has been drafted for consideration by Governance Group and the Corporate Leadership Team. The work stream regarding polygamous working has commenced and initial engagement will be made with Human Resources. A

further update will be shared in the next report to Audit and Governance Committee.

2.6. The work plan for 2025/26 includes a focus on procurement following the introduction of the new legislation. A work stream will be developed with Internal Audit (SWAP) to provide assurance in this area. In addition, the team will be developing a more relatable and streamlined approach to fraud risk and whistle-blowing training to ensure awareness is raised with all staff across the organisation.

3. Reasons for recommendations

3.1. The Counter Fraud and Enforcement Unit (CFEU) Head of Service forms part of the core Multi-Agency Approach to Fraud (MAAF) group. The core group consists of attendees from Gloucestershire Constabulary Economic Crime Team, Trading Standards, Victim Support, NHS and colleagues from Gloucester City and County Councils. The MAAF has been set up to discuss fraud trends, victim care and communication of fraud scams across Gloucestershire. Through collaborative working the main purpose is to raise awareness to minimise and disrupt fraud.

3.2. The Gloucestershire MAAF webpage is now in development. A campaign to launch this will be publicised soon. The website is an opportunity to put in place a communication medium that will be accessible to residents and staff in the county and beyond. This dedicated webpage will enable the group to shape fraud related messaging and offer guidance, advice on fraud and signpost people to the support that is available. The site will enable the group to educate our communities on the changing threat and to provide success stories and testimonials in order to reduce the stigma and increase reporting.

3.3. In relation to the Business Grant Schemes, as previously reported, the focus now relates to debt; recovery, reconciliation and transfer to the Department for Business and Trade (DBT). A further extension to the deadline for debt liability transfer from 31 December 2024 to 30 June 2025 has been granted.

3.4. All Local Authorities participate in the Cabinet Office's National Fraud Initiative, which is a data matching exercise to help prevent and detect fraud nationwide. The use of data by the Cabinet Office in a data matching exercise is carried out with statutory authority under Part 6 of the Local Audit and Accountability Act 2014. It does not require the consent of the individuals concerned under Data Protection Legislation.

- In relation to the 2022/23 data sets, all matches have been reviewed. Referrals and recommendations have been made to the appropriate teams or external organisations.

- The team received 1,461 Council Tax related matches as a result of the 2023/24 data sets. These have also been reviewed, and 79 recommendations were made to the Revenues Team resulting in 65 accounts being updated, increased Council Tax revenue of £43,946 and 11 Civil Penalties, totalling £770, being applied.

- 2,075 matches have been received as part of the 2024/25 cycle – these relate to Council Tax, Housing Benefit, Council Tax Reduction Scheme, Housing and Payroll discrepancies and will be reviewed in due course.

3.5. In addition to the review of single person discount anomalies identified by the NFI exercise, the CFEU and the Revenues Team undertook proactive work to review those households with a discount applied. During 2023/24, 2,645 accounts were reviewed and during 2024/25, 5,028 accounts were reviewed. This resulted in increased Council Tax revenue of £21,351 and 2 Civil Penalties, totalling £140, being applied. A report was issued to the Revenues Team regarding comparative results and information detailing the most effective method of review for consideration.

3.6. Work was completed with the Benefits Team to review all Council Tax Reduction Scheme (Council Tax Support) claims. 146 cases were reviewed resulting in 38 updated claims. This identified incorrectly paid Council Tax Support of £12,819.

3.7. A review of the Housing Waiting List has been completed. This included verification of applications within Emergency Band (52 applications), Gold Band (78 applications) and Silver Band (592 applications). This resulted in 319 recommendations being issued to the Housing Team. 8 applications have been removed from the Emergency and Gold Band Lists representing a figure of £34,264. Silver Band results are pending.

3.8. Each cancelled housing application represents a property which can be reallocated to another eligible family. The National Fraud Initiative applies a figure of £4,283 for each application removed, to represent the value of future losses prevented as a result of removing an applicant. This represents a saving on the cost of temporary accommodation. In addition, the result of the band re-prioritisation is that those families who are correctly banded have a greater chance of being housed and housed more speedily.

3.9. In December 2024 there were approximately 15,527 active household applications on the register for Gloucestershire, 3,014 of those relate to the Council. The CFEU undertakes reviews of the Emergency, Gold and Silver Band Lists for Cheltenham Borough, Cotswold District, Forest of Dean District, Stroud District and Tewkesbury Borough Councils. This consistent approach

provides assurance that both locally and across the County we are maximising savings in this area and ensuring priority applicants are dealt with expediently.

3.10. The CFEU Officer receives the list of applications within the individual bands, the review of the Emergency and Gold Banded applications is undertaken as a priority. The task of the reviewing officer is to establish the veracity of the reason for the application, for example overcrowding, homelessness, significant medical need or downsizing. Checks relating to occupancy and residential status / history are made and any discrepancies are forwarded to the Housing Team for review.

3.11. Criminal Enforcement, Regulation of Investigatory Powers Act and Investigatory Powers Act refresher training was delivered to enforcement colleagues across the Council during the year.

3.12. A data matching exercise has been completed across the partnership in relation to awards of small business rates relief. 6 premises were flagged for further investigation and subsequently 4 accounts were updated resulting in additional business rates totalling £18,182.

3.13. **Reactive Case Results 2024/25**

3.14. In addition to the strategic support and agreed annual work plan, as a dedicated investigatory support service, the CFEU undertakes a wide range of enforcement and investigation work according to the requirements of each Council. This includes criminal investigation and prosecution support for enforcement teams, investigations into staff/member fraud and corruption, or tenancy and housing fraud investigation work.

3.15. During 2024/25, the team received 92 referrals relating to non-housing/tenancy matters, 18 cases were opened, 22 cases were closed, 43 referrals resulted in advice / referral was declined and 41 matters were referred to the Department for Work and Pensions.

3.16. 6 cases related to investigations with regulatory enforcement teams across the Council. This resulted in the following:

- The removal of 2 incorrect Council Tax discounts. Increased Council Tax revenue totalling £805 and 1 Civil Penalty totalling £70 being applied.
- Increased Business Rates Liability totalling £10,738.
- Work undertaken with the Environmental Health Team resulted in a successful prosecution relating to a failure to comply with a Control of Pollution Act Notice during the construction of the Lidl Store, Charlton Kings.

The individual was found guilty in absence and received a Fine for £6,000 and was ordered to pay £4,835 costs.

3.17. The CFEU has been tasked with undertaking the investigation of alleged fraud and abuse in relation to the Council Tax Reduction Scheme (Council Tax Support), working closely with the Department for Work and Pensions in relation to Housing Benefit investigations. 10 cases were opened, and 12 cases were closed resulting in the following.

- Increased Council Tax revenue of £11,735.
- 4 Civil Penalties totalling £240.
- 1 Criminal Penalty totalling £523 was accepted.

3.18. The team received 1 referral relating to staff matter and supported the Director of Governance, Housing and Communities with an investigation.

3.19. The CFEU continues to support the Council in tackling tenancy fraud. The overall remit is to prevent, detect and deter abuse of public funds and social housing. Housing and tenancy fraud remains as one of the top four areas of fraud and abuse within the public sector. This takes many forms, but the two most significant areas are Right to Buy and Illegal Subletting. The CFEU will continue to work with the Council and social housing providers to tackle this effectively. A report was presented to Cabinet Housing Committee in March 2025 detailing the work undertaken during 2024/25.

3.20. The Counter Fraud Officers are authorised under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014. This means they are authorised to obtain information relating to an individual from organisations such as financial institutions (banks, credit card companies), utility companies, communications providers and so on. The Act also created new offences in relation to housing fraud that can be prosecuted by Local Authorities acting on behalf of Social Landlords. During 2024/25, the team have opened 12 cases and closed 5 cases relating to housing and tenancy fraud such as abandonment, illegal succession, subletting, false housing applications, right to buy fraud.

3.21. In addition, the team have received 474 verification requests regarding checks for homelessness, right to buy, succession or housing applications. In relation to right to buy applications, additional checks have been introduced to ensure that any resultant benefit issues are addressed.

3.22. A Housing and Tenancy Fraud Policy was presented to Cabinet for approval in June 2024.

3.23. As a rough guide, the Fraud Advisory Panel, Charity Commission, Tenancy Fraud Forum and others have produced a new method using a standard formula to arrive at an average national cost to the taxpayer per detected tenancy fraud of £42,000. The formula considers:

- The annual average temporary accommodation cost per family for individual Councils (£12,100) multiplied by 3 being the typical duration of for one of these frauds = £36,300;
- Add the average investigation costs (£1,300), average legal costs (£1,000) and the average void costs (£3,140)
- = £41,740 approximated to £42,000.

3.24. **Regulation of Investigatory Powers Act 2000 (RIPA) / Investigatory Powers Act 2016 (IPA)**

3.25. The Council's policies are based on the legislative requirements of these Acts and supporting guidance relating to directed surveillance and the acquisition of communications data.

3.26. The Polices were reviewed and presented to the Audit, Compliance and Governance Committee in January 2020; these were adopted by Cabinet in February 2020. The Use of the Internet and Social Media in Investigations and Enforcement Policy, presented to Audit, Compliance and Governance Committee in September 2021 and adopted by Cabinet in November 2021.

3.27. The Policies were reviewed in July 2023 by the Investigatory Powers Commissioner's Office (IPCO). The Policies were fully endorsed with a request to remove any reference to the OSC Procedures and Guidance document as it has been removed from circulation. This has been done. It is not therefore proposed that the Policies will be presented to Members for approval following the review, but copies can be found on the Council's website. There have been no subsequent amendments to date.

3.28. The Council must have a Senior Responsible Officer and Authorising Officers to approve any applications for surveillance or the use of a Covert Human Intelligence Source, before the Court is approached. The Senior Responsible Officer is the Chief Executive, and the Authorising Officers are the Director of Governance, Housing and Communities and the Head of Public Protection.

3.29. All applications for communications data are made online via the National Anti-Fraud Network (NAFN) which acts as the single point of contact for Councils. There is a requirement for the Council to nominate a Designated Senior Officer who will confirm to NAFN that the Council is aware of any request and approves its submission. This role is undertaken by the Head of

Service, CFEU.

3.30. The Council was inspected by IPCO, regarding its compliance with the legislation in July 2023. The next inspection is due in 2026.

3.31. There have been no RIPA applications made by the Council during 2024/25 and no applications were made for communications data. There have been 5 Non-RIPA applications made during 2024/25 concerning overt activity.

3.32. The Council takes responsibility for ensuring its procedures relating to surveillance and the acquisition of communications data are continuously improved and all activity is recorded.

4. Alternative options considered

4.1. None.

5. Consultation and feedback

5.1. Work plans are agreed and reviewed regularly with the Director of Finance and Assets and Director of Governance, Housing and Communities.

5.2. Any Policies drafted or revised by the Counter Fraud and Enforcement Unit have been reviewed by One Legal and have been issued to the relevant Senior Officers, Governance Group and Executive Leadership Team for comment.

6. Key risks

6.1. The Council is required to proactively tackle fraudulent activity in relation to the abuse of public funds.

6.2. Failure to undertake such activity would accordingly not be compliant and expose the authority to greater risk of fraud and/or corruption. If the Council does not have effective counter fraud and corruption controls it risks both assets and reputation.

Report author:

Emma Cathcart, Head of Service Counter Fraud and Enforcement Unit,
Emma.Cathcart@cotswold.gov.uk

Appendices:

i. Risk Assessment

Background information:

N/A.

Appendix 1: Risk Assessment

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
1	The authority suffers material loss and reputational damage due to fraud	Executive Director Finance and Assets	3	3	9	Reduce	Maintain a Counter Fraud Team to reduce the likelihood of the risk materialising and also to help recover losses, thus reducing the impact.	Head of Service, Counter Fraud and Enforcement Unit	Ongoing
2	Without dedicated specialist staff in place, the Council may be unable to take effective and efficient measures to counter fraud, potentially resulting in authority suffering material losses due to fraud and error	Executive Director Finance and Assets	3	4	12	Reduce	Retain a specialist Counter Fraud Unit to tackle the misuse of public funds on behalf of the Council.	Head of Service, Counter Fraud and Enforcement Unit	Ongoing

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Agenda Item 9

Cheltenham Borough Council

Audit, Compliance and Governance Committee

28 May 2025

Whistle-Blowing Policy

Accountable member:

Leader of the Council, Councillor Rowena Hay

Accountable officer:

Claire Hughes, Director of Governance, Housing and Communities

Ward(s) affected:

All indirectly

Key Decision: No

Executive summary:

To present the Audit and Governance Committee with an updated Whistle-Blowing Policy for approval.

To update and replace the existing Whistle-Blowing Policy to highlight key legislation and the roles and responsibilities of Members, Officers and other parties.

Recommendations: That Audit, Compliance and Governance Committee:

1. **approves and adopts the Policy attached to this report.**
2. **authorises the Director of Governance, Housing and Communities to approve future minor amendments to the Policy in consultation with the Counter Fraud and Enforcement Unit, Human Resources, One Legal and the Leader of the Council.**

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1. Implications

1.1. Financial, Property and Asset implications

There are no direct financial implications as a result of this report.

The support of the Whistle-Blowing Policy will help to support the prevention and detection of misuse of public funds and fraud therefore reducing potential financial loss to the Council.

Signed off by: Gemma Bell, Director of Finance and Assets (Deputy S151 Officer), Gemma.Bell@cheltenham.gov.uk

1.2. Legal implications

There are no significant legal implications associated with this report.

The original Public Interest Disclosure Act 1998 whistleblowing provisions, inserted into the Employment Rights Act 1996, were amended by the Enterprise and Regulatory Reform Act 2013 and provides protection against victimisation or dismissal for workers reporting malpractice by their employers or third parties.

The policy ensures the Council, its Officers, Member, employees and contractors (including agency staff) comply with and adhere to the legislation governing whistle-blowing in the workplace meaning the Council is less susceptible to legal challenge.

Any breach of the Policy or the revealing of the identity of someone that has made an anonymous disclosure could result in litigation action against the Council and a significant fine.

Signed off by: One Legal, legalservices@onelegal.org

1.3. Environmental and climate change implications

None directly.

1.4. Corporate Plan Priorities

This report contributes to the following Corporate Plan Priorities:

- Being a more modern, efficient and financially sustainable council

1.5. Equality, Diversity and Inclusion Implications

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

The Counter Fraud and Enforcement Unit seeks to ensure that public authorities' actions are consistent with the Human Rights Act 1998 (HRA). It balances safeguarding the rights of the individual against the needs of society as a whole to be protected from crime and other public safety risks.

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2. Background

2.1. The Counter Fraud and Enforcement Unit (CFEU) is tasked with reviewing the Council's Whistle-Blowing Policy.

3. Reasons for recommendations

3.1. The Policy, attached at Appendix 2, has been updated in accordance with the review period. Review frequency is as required by legislative changes or every three years.

3.2. The changes are relatively minor in relation to content. The Policy has been refreshed and includes an entry at 4.15 which highlights the Office for Environmental Protection's role and how to contact them, as per their email request. Reference to reports made 'in good faith' have been removed, a whistle-blower is required to 'reasonably believe' the allegation is true. For ease of reference, new text is shown in red and text to be removed is shown as struck through. This is now a shared Policy for all staff employed by Cheltenham and Tewkesbury Borough and Stroud District Councils.

3.3. The Policy details employer responsibilities to ensure that the Council protects staff who report or whistle-blow about any areas of concern within the organisation. The Policy also safeguards those against whom allegations are made. In administering its responsibilities, the Council has a duty to protect staff members who choose to alert the authority to wrongdoing and to protect employees against whom vexatious allegations are made.

3.4. All referrals received by the Counter Fraud and Enforcement Unit and Human Resources must be dealt with in the correct manner adhering to Regulations, Legislation and Guidance. This includes internal alerts of wrongdoing which must adhere to whistle-blowing legislation. Adherence to this legislation in the workplace means the Council is less susceptible to legal challenge.

3.5. Any breach of the Policy or the revealing of the identity of someone that has made an anonymous disclosure could result in litigation action against the Council and a significant fine. Whistle-Blowing is embedded in the Employment Rights Act 1996 (as amended by the Public Interest Disclosure Act 1998). This legislates that an employee has the right to take a case to an Employment Tribunal if they have been victimised at work or lost their job as a

consequence of ‘blowing the whistle’.

3.6. The Policy highlights the key legislation and the roles and responsibilities of Members, Statutory Officers, Senior Managers, Officers and other parties.

3.7. If an individual is considering raising a concern the Policy will enable them to understand the type of issues which can be raised, how the person raising a concern will be protected from victimisation and harassment, how to raise a concern and what the Council will do because of the report.

3.8. The Council has a responsibility to prevent wrongdoing within the authority by promoting high ethical standards and encouraging the exposure of any abuse.

3.9. Audit, Compliance and Governance Committee last considered the Whistle-Blowing Policy in April 2022.

3.10. Awareness will be raised with staff and refresher training will be provided following approval of the Policy.

3.11. The flow chart attached at Appendix 3 will accompany the Policy to provide a one-page overview of the Policy and process for staff.

3.12. In addition, a managers guidance document, attached at Appendix 4 is also published to assist any staff member who receives a whistle-blowing report.

4. Alternative options considered

4.1. None.

5. Consultation and feedback

5.1. Consultation has been undertaken with Human Resources Officers, Legal representatives and Monitoring Officers across the Counter Fraud and Enforcement Unit Partnership.

6. Key risks

6.1. If the Council does not have an effective Whistle-Blowing Policy and procedures it puts staff and its reputation at risk. The Council must fulfil its legal obligations in relation to whistle-blowing arrangements.

6.2. Without an appropriate Policy in place the Council is unable to take effective and efficient measures to ensure staff are protected when making allegations of wrongdoing and that staff are protected from vexatious allegations.

Report author:

Emma Cathcart, Head of Service Counter Fraud and Enforcement Unit,
Emma.Cathcart@cotswold.gov.uk

Appendices:

i. Risk Assessment
ii. Whistle-Blowing Policy
iii. Whistle-Blowing Flowchart
iv. Managers Guidance

Background information:

N/A.

Appendix 1: Risk Assessment

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
1	Without appropriate policy in place the Council are unable to take effective and efficient measures to ensure staff are protected when making allegations of wrongdoing and that staff are protected from vexatious allegations	Director of Governance, Housing and Communities	4	2	8	Reduce	Put in place effective management and guidance. Introduce a suitable policy that enables effective and efficient adherence to legislation and provides clear reporting routes to staff	Head of Service, Counter Fraud and Enforcement Unit Head of Human Resources	Ongoing

A SHORT GUIDE TO WHISTLE-BLOWING

Counter Fraud and Enforcement Unit

What is Whistle-Blowing?

When an employee reports 'wrongdoing' which is typically witnessed at work

Legal protection

An employee who whistle-blows is protected by law from discrimination	As long as they reasonably believe they are acting in the public interest i.e.being for the benefit of the community as a whole not a personal grievance

What sort of wrongdoing should be reported?

Criminal offences / failure to comply with legal obligations	Covering up any wrongdoing	Endangering the health & safety of others / Damage to the environment

Who should you raise an issue with?

Internally if possible to help protect you	To HR , Counter Fraud and Enforcement Unit, Internal Audit or a line manager

Can you report anonymously?

Yes but you can't be protected by the law then	If we dont know who you are it also makes it difficult to investigate thoroughly

Will it be kept confidential?

Yes, every effort will be made to protect your identity	You should try not to discuss your concerns with colleagues once you have whistle-blown

Harrasment and victimisation

You will be supported and protected	We will not tolorate harrassment or victimisation of any employee raising a legitimate concern

Is there an alternative reporting route?

Please see the Whistle-Blowing Policy for external prescribed bodies

What information do I need to give you?

You dont need to prove your allegation but the more detail and evidence you can provide the better i.e. make notes of dates, locations and keep e-mails etc

What will the Council do?

We will respond quickly and if necessary conduct an internal investigation	If required we will report to other bodies such as the Police

How will I know what's going on?

You will get an acknowledgement and confirmation of what is going to happen

Further information

The Whistle-Blowing Policy is on the website and provides details about the process and possible outcomes

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Whistle -Blowing Policy

Version Control:	
Document Name:	Whistle-Blowing Policy
Version:	2
Responsible Officer:	Head of Human Resources Head of Service, ~~Emma Cathcart~~ Counter Fraud and Enforcement Unit
Approved by:	CBC – Audit, Compliance and Governance Committee April 2022 TBC - Executive Committee February 2020 SDC – Council April 2023
~~**Date Approved**~~	~~October 2016 / February 2020~~
Next Review Date	March 2028 ~~November 2022~~
~~**Retention Period**~~	~~N/A~~

Revision History

Revision date	Version	Description
November 2018	1.2	Review
March 2025	2	Review

Consultees

Internal	External
Human Resources ~~Manager~~ One Legal Corporate Management / Senior Leadership Team ~~Audit and Governance Committee~~	

Distribution

Name	
All ~~staff~~employees (intranet)	

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8. STRATEGY AND POLICY REVIEW.....**Error! Bookmark not defined.**

1. INTRODUCTION AND PURPOSE OF THE POLICY

1.1. ~~Staff~~ Employees are often the first to realise that there may be something of concern occurring within the Council. The majority ~~Usually any~~ issues can be resolved swiftly and satisfactorily. However, when these concerns relate to more serious matters, employees may be discouraged from expressing their concerns or 'whistle-blowing'.

1.2. Whistle-blowing is the term used when an employee passes on information concerning wrongdoing. This can also be called 'making a disclosure' or 'blowing the whistle'. Typically (although, not always) the wrongdoing will be something that the employee has witnessed at work.

1.3. Employees may feel disloyal and may fear victimisation or harassment. In such circumstances, it may be easier to ignore the concern rather than report what may just be a suspicion of malpractice. However, any person raising a concern is protected in law.

1.4. Whistle-blowing law is embedded in the Employment Rights Act 1996 (as amended by the Public Interest Disclosure Act 1998). This legislates that an employee has the right to take a case to an employment tribunal if they have been victimised at work or lost their job as a consequence of 'blowing the whistle'.

1.5. To be covered by this law, an employee who makes a disclosure must reasonably believe two things:

- That they are acting in the public interest; referring to considerations which affect the good order and functioning of the Council for the benefit of its constituents. Public interest can also be described as being for the benefit of society, the public or the community as a whole. Personal grievances and complaints are therefore not ordinarily covered by whistle-blowing law unless it is within the public interest or where bullying, harassment or discrimination concerns a number of employees or is affecting their rights in a significant way;
- ~~That they are acting in the public interest – therefore personal grievances and complaints are not ordinarily covered by whistle- blowing law.~~
- That the disclosure of information indicates past, present or future wrongdoing within the following categories:

(a) criminal offences which may include financial impropriety such as fraud.
(b) failure to comply with legal obligations.
(c) miscarriages of justice.
(d) endangering another person's health and safety.

(e) damage to the environment.
(f) covering up any wrongdoing in any of the above.

1.6. Employees are not prevented from making disclosures in the public interest by 'gagging clauses' in Settlement ~~or compromise~~ or Non-Disclosure Agreements. In short, where an employee wishes to make a disclosure that is in the public interest and relates to wrongdoing as detailed above, this cannot be prevented by a clause within a Settlement or Non-Disclosure Agreement.

1.7. The Council is now part of various shared service arrangements, and it is important that there is clear guidance for anyone wishing to raise an issue. This Policy applies to all employees of the Council. Whilst the same protections may not be as directly applicable to individuals working within the organisations who are not employees (e.g. contractors, agency employees, volunteers, Councillors, employees of associated employers etc.), all are encouraged to read this Policy and report any concerns confidentially for investigation.

1.8. The Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment we wish to encourage employees and others with serious concerns about any aspect of the Council's work to come forward and voice them without fear of reprisal.

1.9. This Policy is intended to encourage and enable employees to make disclosures at an early stage, rather than waiting. Employees are also encouraged to raise any issues internally with the Council first rather than raising it outside of the organisation. If issues are raised externally in the first instance you may weaken the protection given to you under the Public Interest Disclosure Act 1998.

1.10. This Policy also seeks to ensure concerns are raised in the right way and seeks to protect those employees members, against whom complaints are made, from malicious allegations. The Council has a duty to investigate all reports of irregularity. This does not mean that the organisation supports the allegation.

1.11. This Policy should be read if you are considering raising a concern to provide clarification in relation to the following:

- The type of issues which can be raised.

- How the person raising a concern will be protected from victimisation and harassment.
- How to raise a concern.
- What the Council will do as a consequence of the report.

1.12. This Policy has been agreed with any relevant trade unions or non-union representatives.

1.13. Disclosures can be made to the Officers as detailed in this Policy or to their nominated Deputy Officer.

2. AIMS AND SCOPE OF THE POLICY

2.1. This Policy aims to:

- Encourage employees to raise serious concerns at the earliest opportunity and to question and act upon concerns about potential malpractice.
- Encourage employees to be watchful for illegal or unethical conduct and report anything of that nature that they become aware of. Everyone should be aware of the importance of preventing and eliminating wrongdoing at work.
- Ensure all reported allegations are treated in absolute confidence, with every effort made by the Council not to reveal a whistle-blower's identity if they so wish. However, it may be necessary for the whistle-blower to become an identified witness at an appropriate time, particularly if it has not been possible to substantiate the allegation by other means. The implications of this and the appropriate support/protection arrangements will be discussed with the whistle-blower. This is detailed at Part 3; Employee Safeguards and Assurances.
- Ensure all reported allegations are treated fairly, ethically and consistently.
- Provide a robust procedure and ensure any matter raised under this procedure will be investigated thoroughly, promptly and confidentially, and the outcome of the investigation reported back to the employee who raised the issue, as appropriate.
- Provide reassurance for those making a referral ~~acting in good faith~~ that they will be protected from possible reprisals or victimisation. This means that the continued employment and opportunities for future promotion or training of the employee will not be prejudiced because he or she has raised a legitimate concern. Victimisation of an employee for raising a qualified disclosure is a disciplinary offence.

- If misconduct is discovered as a result of any investigation under this procedure, the Council's disciplinary procedure will be used, in addition to any other appropriate measures. This could include internal criminal investigation and appropriate further action.
- Allow whistle-blowers to raise concerns and proceed further if they are dissatisfied with the Council's response. It should be recognised that certain cases will have to proceed on a confidential basis and that feedback will be limited due to legal constraints.

2.2. This Policy is not a substitute for the Council's other policies and procedures on such matters as personal grievances, bullying and harassment, health and safety, safeguarding issues (children and/or adults) or complaints. It should also not be used to raise matters relating to an employee's own terms and conditions of service.

2.3. There are existing procedures in place to enable employees to lodge a grievance relating to their own employment. This process does not form part of this Policy. For further guidance on whistle-blowing and grievances, employees can contact the Advisory, Conciliation and Arbitration Service (ACAS) at www.acas.org.uk/grievances.

2.4. If a member of the public has a concern about any service, they have been provided by the Council then this should be raised appropriately as a complaint or as a general matter to be considered. There are existing procedures in place which relate to this. However, if that concern relates to malpractice by a member of employees, then they should be directed to ~~the~~ Human Resources ~~Manager~~ at the earliest opportunity.

2.5. If a member of the public has concerns relating to malpractice by a Councillor, then they should be directed to Democratic Services or the Monitoring Officer at the earliest opportunity.

2.6. Making malicious, vexatious or false allegations will not be tolerated and is a disciplinary offence. If a person makes an allegation ~~in a good faith and~~ that they reasonably believe~~s~~ ~~it~~ to be true, but it is not confirmed by the investigation, the Council will recognise your concern. However, if a person makes an allegation frivolously, maliciously or for personal gain, appropriate action, which could include disciplinary proceedings, may be taken.

2.7. An instruction to cover up wrongdoing is itself a disciplinary offence. If told not to raise or pursue any concern, even by a person in authority such as a

manager, employees should not agree to remain silent and should report the matter at the earliest opportunity.

2.8. This Policy and procedure is primarily for issues where the interests of others or of the organisation itself are at risk. That issue may be one of the following (although this list is not exhaustive). The following are examples of concerns that might be raised:

- Financial irregularities including fraud, corruption or unauthorised use of public funds or other assets.
- Conduct which is against the law, a miscarriage of justice or a failure to meet a legal obligation.
- Failure to observe health and safety regulations, or actions which involve risks to the public or other employees.
- Damage to the environment.
- A criminal offence being committed.
- Claiming benefits and/or expenses to which there is no entitlement.
- The conduct of contractors and/or suppliers to the council.
- Sexual, racial, disability or other discrimination.
- Neglect or abuse; physical or verbal.
- Any other unethical conduct, malpractice, negligent or unprofessional behaviour.
- Discriminatory acts not specifically covered by other procedures.
- Concealment of any of the above.

3. EMPLOYEE SAFEGUARDS AND ASSURANCES

3.1. Harassment or Victimisation

3.2. The Council recognises that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for the malpractice.

3.3. The Council will not tolerate harassment or victimisation in any form of anyone raising a legitimate concern. Any employee who attempts at any stage to apply any retribution or detriment to a whistle-blower will face serious disciplinary charges.

3.4. The Council will support and protect whistle-blowers who raise an issue in line with this Policy, in accordance with the safeguards contained in the Public Interest Disclosure Act 1998. This legislation protects everyone from victimisation and dismissal when speaking out against corruption or malpractice at work.

3.5. Protection does not mean that if an employee is already the subject of disciplinary action or redundancy procedures that those procedures would cease or be suspended as a result of their whistle-blowing.

3.6. It may be that the employee making the report is (or was) directly involved in the action now being raised. In such circumstances it is in the employee's own interest to come forward as soon as possible. The Council cannot promise not to act against such an employee but the fact that they came forward may be taken into account.

3.7. If the whistle-blowing referral raises any safeguarding issues they will be dealt with in accordance with the relevant Safeguarding Policies

3.8. **Confidentiality and Anonymity**

3.9. All reports will be treated in the strictest of confidence and every effort will be made to protect, and not disclose, the identity of an informant if that is their wish. However, if disciplinary or other proceedings are an option as a result of the investigation it may not be possible to take any action without further assistance, in which case the informant may be asked to become an identified witness and provide a witness statement. It is possible that the identity of the informant will become obvious during the investigation. In addition there is a risk that some colleagues may speculate about the source of the original complaint.

3.10. The law does not compel an organisation to protect the confidentiality of a whistle-blower. However, it is considered best practice to do so unless required by law to disclose it.

3.11. Any requests for disclosure of information relating to or collected as part of any whistle-blowing complaint or investigation will be considered and determined in accordance with the relevant provisions of the Freedom of Information Act 2000 and Data Protection Regulations / Legislation.

3.12. At all times the informant will receive full support from the Council. There will be a limited number of people aware of the investigation at any one time but there will always be a representative from Human Resources involved in the process.

3.13. This Policy encourages a whistle-blower to put their name to an allegation. If you do not reveal your identity then you will not receive a response or

feedback. It may also make the task of investigating the allegation and protecting the whistle-blower more difficult.

3.14. Concerns can of course be raised anonymously but are much less powerful. They can be considered at the discretion of the Council. In exercising this discretion the factors taken into account would include:

- The seriousness of the allegation.
- The credibility of the concern.
- The likelihood of confirming the allegation from other sources.

3.15. Employees who whistle-blow can seek independent support from the charity Protect. Details can be found by following the link below. https://protect-advice.org.uk/

4. PROCEDURE

4.1. Raising a concern as an employee

4.2. An employee can choose who to report a concern to.

4.3. As a guide, issues should normally be raised with the ~~Human Resources Manger or~~ a member of the Human Resources Team. A decision can then be made in relation to how the matter will be dealt with and who should be informed depending on the seriousness and sensitivity of the issues involved and who is suspected of wrongdoing.

4.4. ~~If the Human Resources staff are not available~~, Employees may also direct any concerns to Internal Audit or the Counter Fraud and Enforcement Unit.

4.5. Alternatively an employee can speak to their own manager, or someone they feel comfortable talking to but must outline that they are making a whistle-blowing disclosure.

4.6. A third party or Union representative may also attend any meetings for moral support however, they would be required to maintain confidentiality. A whistle-blower may also wish to take advice from, or invite, a trade union or professional association to raise a matter on their behalf. Meetings may be held away from the workplace if necessary.

4.7. Raising a concern as an elected Member

4.8. If an elected Member has any concerns about the Council's work, they should raise the matter directly with ~~Democratic Services,~~ the Chief

Executive or the Monitoring Officer. In the case of financial irregularity, disclosure may be made to the Officer appointed under Section 151 of the Local Government Act 1972 ('Section 151 Officer'). ~~Chief Finance Officer~~

4.9. Concerns may also be directed to Internal Audit or the Counter Fraud and Enforcement Unit.

4.10. **Raising a concern as a third party contractor, agency employees etc.**

4.11. Concerns should be raised with a member of the Human Resources Team ~~Manager~~, the Chief Executive or the Monitoring Officer. In the case of financial irregularity, disclosure may be made to the Section 151 ~~Chief Finance~~ Officer.

4.12. Concerns may also be directed to Internal Audit or the Counter Fraud and Enforcement Unit.

4.13. **Alternative Reporting Routes**

4.14. There are a number of prescribed bodies and organisations who may be contacted if there is a reason not to raise the matter internally. Employees can find guidance by following the link below which provides a comprehensive list with contact details therein.

https://www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2/whistleblowing-list-of-prescribed-people-and-bodies

4.15. In the case of Local Government, that would include raising concerns with the Council's External Auditor (to establish who this is, contact Public Sector Audit Appointments Limited https://www.psaa.co.uk). If the concerns relate to the conduct of public business, value for money or fraud and corruption relating to the provision of public services, employees may contact the National Audit Office https://www.nao.org.uk. If matters relate to failures to comply with environmental law, employees may contact the Office for Environmental Protection https://www.theoep.org.uk.

4.16. The Council would not ordinarily expect a whistle-blower to make disclosures to the media prior to raising the matter internally. If a person does approach the media with their concerns, the informant should expect in most cases to lose their whistle-blowing law rights.

4.17. **Process**

4.18. Concerns may be raised by telephone, in person or in writing. The earlier the matter is raised, the easier it is to take action. A whistle-blower is asked to provide the nature of the concern and why they believe it to be true, background details giving names, dates and places where possible. An informant may be asked if they have any personal interest in the matter.

4.19. When raising an issue or making an allegation it is important that it is made clear that an informant is doing so as a whistle-blower to ensure they are dealt with correctly.

4.20. Although it is not expected that a person proves beyond doubt that the allegation is correct, it will need to be demonstrated that ~~the allegation has been made in good faith and~~ there are reasonable grounds for concern.

4.21. A whistle-blower ~~informant~~ should:

- Make a referral after consideration of the facts in a calm manner.
- Make a note of the facts as soon as it is feasible to do so.
- Be specific with dates, times, locations, names etc.
- Deal with the matter promptly.
- Contact someone with the appropriate authority to deal with the matter.

4.22. A whistle-blower ~~informant~~ should not:

- Be reticent because they fear they are wrong.
- Approach, alert or confront the person they suspect of wrongdoing, directly themselves.
- Investigate personally – there are important rules of evidence which must be adhered to.
- Consult or discuss the matter with anyone other than those with the correct authority.
- Do nothing or leave it to someone else to report.

4.23. If approached by someone wishing to whistle-blow, a person should take full details and contact ~~the Human Resource Manager or~~ a member of the Human Resources Team to discuss the matter. It is imperative that employees do not undertake any kind of investigation or intelligence gathering exercise which could compromise the evidence.

4.24. It may be necessary for ~~the~~ Human Resources ~~Manager~~ (or other appropriate Officer) to take a preliminary statement to gather more information to entirely understand the situation and nature of the allegation.

5. HOW THE COUNCIL WILL RESPOND

5.1. The action taken by the Council will depend on the nature of the issue. The Council will respond to your concerns as quickly as possible; please note that testing the concerns is not the same as accepting or rejecting them.

5.2. The overriding principle for the Council will be the public interest. In order to be fair to all employees, including those who may be wrongly or mistakenly accused, initial independent enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. This decision will be made by ~~The~~ Human Resources, ~~t~~The Chief Executive, The Monitoring Officer or the Section 151 ~~Chief Finance~~ Officer. Where the matter relates to a Statutory Officer, appropriate steps will be taken in accordance with contractual arrangements and in accordance with legislation. The matters raised may be:

- Investigated internally, either in accordance with internal Policy and procedure or in line with criminal investigative regulations where appropriate. Whilst not all allegations will result in criminal action, this is an option open to the Council and it is thus critical that the investigation is conducted in the appropriate manner. Evidence gathered as part of that investigation could form part of the disciplinary process whether or not criminal proceedings commence.
- Referred to the Police or other external enforcement agency such as the Health and Safety Executive, Environment Agency etc.
- Referred to the External Auditor.
- Form the subject of an independent enquiry.

5.3. Concerns or allegations which fall within the scope of existing procedures will normally be referred for consideration under those procedures. In some situations, the matter may be resolved without the need for an investigation. Urgent and immediate action may be necessary where the security of relevant information is at risk or to protect the safety of employees.

5.4. If an investigation is appropriate, it may be necessary for this to be carried out under terms of strict confidentiality, i.e. by not informing the subject of the complaint until (or if) it becomes necessary to do so. However, in certain cases, such as allegations of ill treatment of others, suspension from work

may have to be considered immediately. Protection of others is paramount in all cases.

5.5. Within ten working days of a concern being raised, the whistle-blower will receive the following in writing:

- Acknowledgement that the concern has been received.
- Confirmation of how the Council proposes to deal with the matter.
- If an investigation is to take place, who will be conducting the investigation.
- If further investigation is not appropriate, the reasons why.
- Process information and employees support mechanisms.

5.6. Contact between the whistle-blower and the Officers considering the issues and/or conducting an investigation will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If the matter is on-going then feedback may be limited; if the matter is dealt with promptly then the whistle-blower will be advised on the outcome.

5.7. You need to be assured that your disclosure has been properly addressed. Unless there are any legal reasons why this cannot be done, you will be kept informed of the progress and outcome of any investigation.

5.8. Coordination of any investigation will be undertaken by a member of Human Resources with the authority to do so.

5.9. The investigation process is independent and will seek to determine whether an irregularity has been committed, and if so, by whom. The investigator will have the authority to access all necessary data and other resources pertinent to a full, fair and properly conducted investigation.

5.10. Once an investigation has been completed there are a number of potential outcomes including the following:

- No case to answer; case closed.
- Informal action.
- Formal action; disciplinary action and/or prosecution by the Council. Suspension may also be appropriate.
- External referral to the Police and/or other body.

5.11. The Council will do what it can to minimise any difficulties that you may experience as a result of raising a concern. For instance, if you are asked to give evidence in criminal or disciplinary proceedings, the Council will arrange for you to receive appropriate advice and support.

5.12. If an employee is dissatisfied with the conduct of an investigation, whether as the person under investigation, as the informant, or in any other involved capacity, a complaint may be raised with Human Resources who will ensure this is reviewed by an employee who is independent and who has not previously been involved in the investigation.

5.13. This Policy does not prevent any person from taking external legal advice.

6. RESPONSIBILITIES

6.1. Managers should ensure all employees, including agency employees, consultants and contractors etc. are aware of and follow Council Policies and Procedures. Managers should register any whistle-blowing cases brought to their attention immediately with ~~The~~ Human Resources ~~Manager~~ and provide support to any employee making such a complaint.

6.2. Employees should be vigilant and raise any serious concerns about aspects of work or practices which affect the integrity of the Council or safety of employees and/or the public.

6.3. Senior and Statutory Officers, Human Resources ~~Manager~~, Chief Executive, Monitoring Officer, Head of Democratic Services and Chief Finance Officer will respond to whistle-blowing submissions positively and within the timescales set out. The Chief Executive has overall responsibility for ensuring that the Council adheres to this Policy.

6.4. Human Resources will record and deal with any whistle-blowing issues including the provisions of any support and advice as required to include attendance at meetings as necessary.

~~7. FURTHER INFORMATION~~

~~7.1. Further information on Council policy can be found in the following documents (or equivalent documentation / codes) :~~

- ~~The Constitution.~~
- ~~Code of Conduct for Staff and the Councillors Code of Conduct which include information in relation to gifts and hospitality and declaring and registering interests.~~
- ~~Counter Fraud and Anti-Corruption Policy.~~

- ~~Prosecution Policy.~~
- ~~Anti-Money Laundering and Proceeds of Crime Policy.~~
- ~~Recruitment and Selection Policy.~~
- ~~RIPA Procedure and Guidance.~~
- ~~Counter Fraud and Anti-Corruption Investigation Procedures and Guidelines.~~

8. ~~STRATERGY AND POLICY~~ POLICY REVIEW

8.1. The Counter Fraud and Enforcement Unit and Human Resources will review and amend this Policy ~~strategy~~ as necessary to ensure that it continues to remain compliant and meets legislative requirements and the vision of the Council.

8.2. Human Resources and the Counter Fraud and Enforcment Unit ~~and the Head of Corporate Services~~ will monitor the effectiveness of the Policy and provide the necessary awareness sessions to employees.

~~8.3. Responsible Department: Human Resources / Counter Fraud Unit~~
~~Date: November 2019~~
~~Review frequency as required by legislative changes / every three years.~~

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COUNTER FRAUD AND ENFORCEMENT UNIT

WHISTLE-BLOWING GUIDANCE FOR HR / MANAGERS / LEADERSHIP TEAMS

When Managers or Senior Officers receive allegations about an individual employee or Councillor they need to be mindful of whether these fall within the remit of a whistle-blowing allegation.

The key criteria that indicate that whistle-blowing legislation should apply are as follows:

- Did an employee make the allegation? (If it was from a member of the public or a Councillor then it is not whistle-blowing as the same protections are not applicable however such referrals should be dealt with in confidence and can follow the spirit of the Whistle-Blowing Policy).

- Does the allegation relate to any of the following? (If not, it is not whistle-blowing).
    1) criminal offences which may include financial impropriety such as fraud;
    2) failure to comply with legal obligations;
    3) miscarriages of justice;
    4) endangering another person's health and safety;
    5) damage to the environment;
    6) covering up any wrongdoing in any of the above

Whistle-blowing legislation only protects the whistle-blower if they identify themselves and are not anonymous. However, this does not mean that the information cannot be kept confidential when they do identify themselves. Protecting the identity of the whistle-blower is extremely important whilst the allegations are investigated.

This means that not only should their identity be kept a secret, but also that as few people as possible should be aware that the allegation is the result of whistle-blowing.

The individual who is the subject of the investigation does not need to know that there is a whistle-blower. Once the voracity of the allegation is established, the individual will be notified that they are the subject of an investigation, according to the usual disciplinary, code of conduct or criminal investigation procedure.

The only time they may become aware that there was a whistle-blowing allegation is if the whistle-blower agrees to provide witness testimony for the investigation but even then, it may not mean that they can be specifically identified as the source of the original allegation.

A record of whistle-blowing allegations received must be kept. Please ensure that HR are notified so that a central record may be kept.

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Agenda Item 10

Cheltenham Borough Council

Audit, Compliance and Governance Committee

28 May 2025

Draft Accounting Policies 2024-25

Accountable member:

Councillor Peter Jeffries, Cabinet Member for Finance and Assets

Accountable officer:

Paul Jones, Deputy Chief Executive and S151 Officer

Ward(s) affected:

All

Key Decision: No

Executive summary:

To update Members on the Council's draft accounting policies which will be included in the 2024/25 Statement of Accounts, providing Members with the opportunity to review these policies before the unaudited accounts are published on 30 June 2025.

Recommendations:

The Committee notes the content of these draft accounting policies and make any comments as necessary.

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1. Implications

1.1 Financial, Property and Asset implications

The financial implications are contained throughout the report.

Signed off by: Jon Whitlock, Chief Accountant, jon.whitlock@cheltenham.gov.uk

1.2 Legal implications

The Accounts and Audit Regulations 2015 set out the requirements for the production and publication and audit of the annual statement of accounts. This is the first stage in delivering the draft Statement of Accounts for 2024/25.

Signed off by: One Legal legalservices@onelegal.org.uk

1.3 Corporate Plan Priorities

This report contributes to the following Corporate Plan Priorities:

- Making Cheltenham the Cyber Capital of the UK
- Working with residents, communities and businesses to help make Cheltenham #netzero by 2030
- Increasing the number of affordable homes through our £180m housing investment plan
- Ensuring residents, communities and businesses benefit from Cheltenham's future growth and prosperity
- Being a more modern, efficient and financially sustainable council

Signed off by: Ann Wolstencroft, Head of Projects, Programmes and Risk

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2 Background

2.1 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 have previously 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.

2.2 This report therefore includes the draft accounting policies included in the draft statement of accounts. It should be noted that the DLUHC timetable for the publication of unaudited Statement of Accounts has been brought back to 31 May for 2023/24.

2.3 The deadline for publishing final audited accounts is currently proposed as 31 May 2024 however this is subject to ongoing consultation. The final accounting policies will be reviewed again by the Committee when the audited accounts are presented for approval. It should be noted that the Council's Statement of Account for 2022/23 has still not been audited and the outcome of the consultation and decisions by Grant Thornton will determine whether this will be the final outcome for the accounting period.

2.4 This means additional preparation and audit work will need to be undertaken to assure the prior year balances disclosed in the 2023/24 Statement of Accounts and the final impact on the 2023/24 accounts is still not fully understood.

3. Accounting Policies

3.1. 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).

3.2. 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.

3.3. The accounting policies have been reviewed in 2024/25 to ensure they are up to date and relevant to the statements, a copy of which is included as Appendix 1 to this report.

4. Changes to accounting policies for 2024/25

4.1. There are no material changes to the accounting policies in 2024/25.

4.2. 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 2024/25 Code and apply from 1 April 2024:

<u>IFRS 16 Leases</u>

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 only has a small number of operating leases above threshold. There is also an impact on the consolidation of a small number of operating leases held by Cheltenham Borough Homes in the group accounts but again, these are not expected to have a material impact on the Statement of Accounts.

3 Conclusion

3.1 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 for 2024/25.

Report author:

Gemma Bell, Director of Finance & Assets, gemma.bell@cheltenham.gov.uk

Appendices:

i. Draft Accounting Policies 2024/25

Background information:

Code of Practice on Local Authority Accounting in the UK 2024/25

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 (as amended), 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 2021/22 (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.

- 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 and 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 accounting year in which they were accrued. 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

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

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

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or taxation and non-specific grant income and expenditure (non-ringfenced 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. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Where it has been applied, it is posted to the capital adjustment account. Amounts in the capital grants unapplied reserve are transferred to the capital

adjustment account once they have been applied to fund capital expenditure.

Community infrastructure levy

The authority has elected to charge a community infrastructure levy (CIL). The levy is charged on new builds (chargeable developments for the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area. The CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure.

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 AND NON-DOMESTIC RATES RECOGNITION

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the collection fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the collection fund, billing authorities, major preceptors and central government (for NDR) share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for council tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the collection fund adjustment account and included as a reconciling item in the Movement in Reserves Statement.

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

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

1.7 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.

1.8 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.

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

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

Recognition

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

Measurement

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV–SH)
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains.

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

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

The revaluation reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that

an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

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

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain community assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 40 years.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that

would have been chargeable based on their historical cost being transferred each year from the revaluation reserve to the capital adjustment account.

1.10 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.

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

Rentals received in relation to investment properties are credited to the financing and investment income line and result in a gain for the General Fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the capital adjustment account and (for any sale proceeds greater than £10,000) the capital receipts reserve.

1.12 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.

1.13 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.

1.14 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.

1.15 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.

1.16 LEASES

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

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

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

The authority as lessee

Finance leases

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating leases

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

The authority as lessor

Finance leases

Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating leases

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there

is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.17 FINANCIAL INSTRUMENTS

Financial liabilities

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

For most of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund balance to be spread over future years. The authority 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. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund balance is managed by a transfer to or from the financial instrument adjustment account in the Movement in Reserves Statement.

Financial assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The authority holds financial assets measured at:

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

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

Financial assets at amortised cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the financing and investment income and expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest), and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the authority has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the financing and investment income and expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund balance is managed by a transfer to or from the financial instrument adjustment account in the Movement in Reserves Statement.

Any gains and losses that arise on the derecognition of a financial asset are credited or debited to the financing and investment income and expenditure line in the CIES.

Expected credit loss model

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

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

Fair value through OCI

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in other comprehensive income.

Fair value through P&L

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the surplus or deficit on the provision of services.

1.18 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.

1.19 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.
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1.20 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.

1.21 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.

1.22 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.

1.23 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.

1.24 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.

1.25 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.

1.26 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.

1.27 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.

1.28 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.

1.29 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 31 March 2022 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 (EUV-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.

Review of Corporate Risk Register

Audit, Compliance and Governance

28 May 2025

Victoria Bishop – Governance, Risk and Assurance Manager

Cheltenham Borough Council corporate risk register

There are currently 41 risks on the corporate risk register. Below is a summary of some of the recent changes and an overview of how the risks are being managed.

The corporate risk register is being managed by the Governance Risk and Assurance Manager, using Microsoft lists. This is an interim measure until our new platform Verto is live. Lists provides some of the functionality of Verto, such as a link to a data dashboard so that CBC has data on risks, however Verto has even more functions. Going forward Verto will be used to manage all risk registers at CBC. It will be able to provide data on risks through a dashboard, extensive analysis and allow for tracking of risks across time. In addition, Verto provides the opportunity to have more detail on risk mitigation, understand what controls are in place and how effective they are. Verto will also allow us to document what the risk is before controls were in place, what the current risk is (the risk as it is now with the current controls in place), and what the residual risk is (the risk that remains after all controls are in place). The initial focus for risk in Verto will be the corporate risk register, however once this is added then the Governance Risk and Assurance manager will work with colleagues to add operational risk register from all business areas.

New risks:

Two risks were added in March 2025:

- 412 - Provisions required by the building safety regulator - if the pending audit from the building safety regulator results in recommendations or actions (extent to which is unknown) then there is a risk of sanctions on individuals and the authority if we do not meet these requirements (what these sanctions are is currently unknown). If these recommendations or actions increase BC workload, then there is further risk that BC will not have the capacity to meet expected demand.

- 413 – M5 J10 Planning - If CBC and TBC do not come to an agreement with GCC as Local Highways Authority, in regard to the highway capacity in advance of the full build out of M5 J10, then this may have a major impact on how planning applications are considered and impact on meeting the councils 5-year housing land supply.

One risk was closed:

- 357 - High Street Defects (Risk Closed) - If the defects to the High Street are not resolved by external companies, then CBC may have to rectify at their own cost.

One risk was discussed however this risk has materialised and therefore is not on the risk register as a risk. It is being actively managed by the Strategic Procurement Manager:

- 411 - Visibility of commercial activity and procurements - If we do not promptly cleanse the contracts register data from the go live date 24.02.2025 and understand pipelines, then there is a risk that the procurement team will not have visibility of all commercial activity, and something could be missed.

Overview of risks:

A total of six risks increased since their last assessment. Those that increased were:

- 127 - Cheltenham Carbon Neutral - If we fail to make Cheltenham carbon neutral by 2030 then we will not achieve our corporate objectives.

- 126 - Failure to make the Council Carbon Neutral by 2030 - If we fail to make the Council carbon neutral by 2030 then we will not achieve our corporate objectives.

- 199 - Government's Fair Funding Review - If the Government review concludes significant changes to business rate retention, Government grant funding or Council Tax generation for Cheltenham then the MTFS budget gap may increase, requiring greater savings than already planned.

- 410 - Devolution – If Gloucestershire is not part of an effective strategic authority it may reduce or limit the councils ability to secure funding and investment and take advantage of devolution powers offered.

- CH2 - Property Compliance - If there is ineffective management of property compliance then this will result in regulator intervention and reputational damage.

- CH1 – Housing Revenue Account - If the housing revenue account becomes unviable then this may result in the council being unable to fund service delivery, investment in existing homes and the delivery of new housing.

Five reduced since their last assessment. Those that reduced were:

- 52 - Medium Term Financial Strategy - If CBC is unable to come up with long term solutions which bridge the gap in the medium-term financial strategy, then it will find it increasingly difficult to prepare revenue budgets year on year without making unplanned cuts in service provision.

- CH3 - Stock Condition Data - If there is a failure to maintain accurate, in date stock condition data then this means we are unable to plan spend, evidence investment, demonstrate accurate decent homes data and provide assurance that tenant's homes are safe.

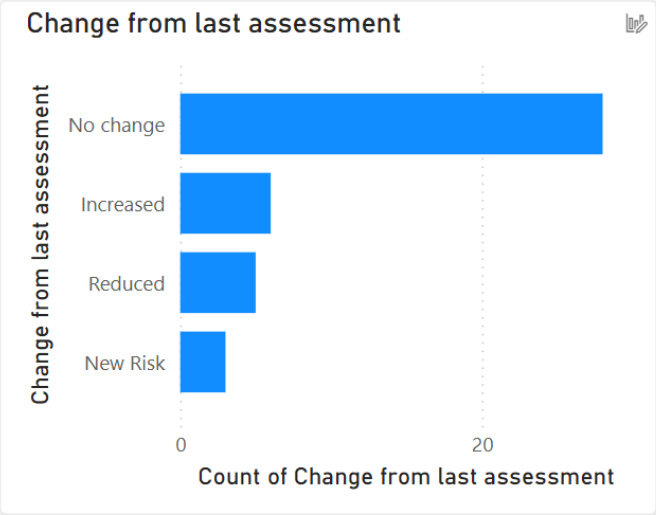
- 360 - Cost of Living Crisis - If the cost-of-living crisis continues with energy, interest and other costs driving up inflation (compounded by global tariffs and economic instability) then there is a risk of recession which will impact on the councils financial stability, our ability to deliver services & major developments and have a negative impact on our customers & staff.

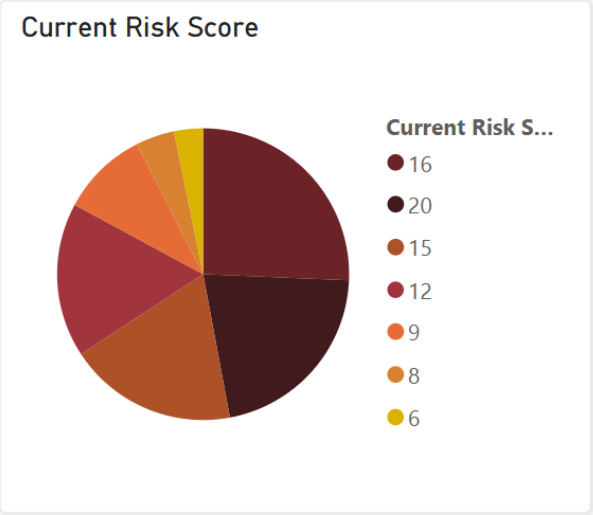
- 347 - Energy Costs (Gas & Electric) - If energy costs keep rising / fluctuating as per the current market then it impacts on our ability to accurately budget/forecast expenditure & may impact on the investments we can make in projects / programmes whilst still being able to achieve our MTFS.

- 168 - Ability to resource/manage multiple concurrent incidents - If we have multiple concurrent incidents we may not be able to resource them all & this will impact effectiveness of response & impact business continuity.

The below data shows that most risks did not change from their last assessment.

The three business areas that hold the most risks on the corporate risk register are housing, finance, and general organisational risks.


Change from last assessment
Change from last assessment
No change
Increased
Reduced
New Risk
0
20
Count of Change from last assessment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Current Risk S...
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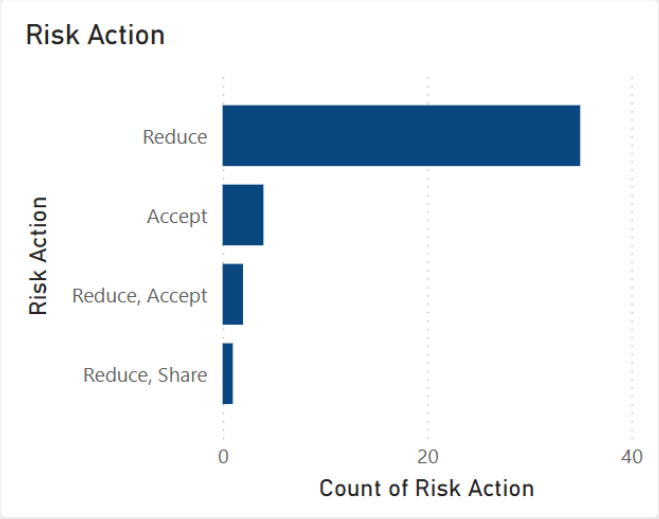
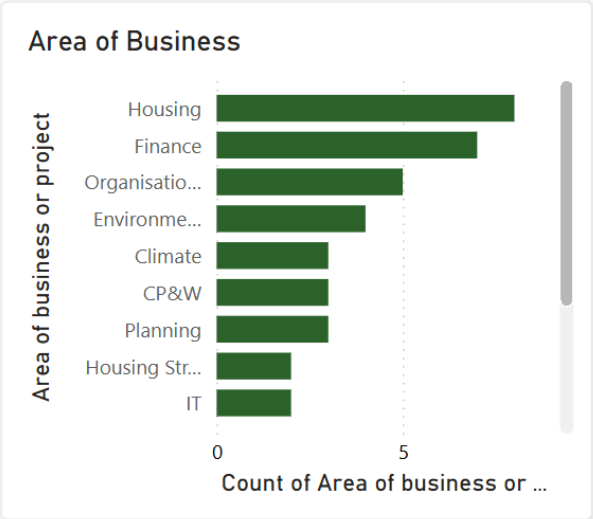
20
15
12
9
8
6


Risk Action
Risk Action
Reduce
Accept
Reduce, Accept
Reduce, Share
0
20
40
Count of Risk Action


Area of Business
Area of business or project
Housing
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Organisatio...
Environme...
Climate
CP&W
Planning
Housing Str...
IT
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5
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The highest risks on the corporate risk register are:

The below risks have a risk score of 20 overall.

1. Golden Valley - If a high contribution to J10 is required then this will significantly impact financial viability and If GCC do not agree to the Highways modelling approach, local network improvements and active travel measures then it will delay Outline Planning Approval (OPA) and the overall programme.

2. Leisure & Culture Venues - If the council does not have a long-term vision & investment plan in place for its leisure & culture venues then significant unplanned maintenance, repairs & investment may be required to keep the venues running & it may undermine the ability of the Trust (or any future provider) to run leisure & culture services in a profitable way.

3. Carbon Neutral - If we fail to make Cheltenham carbon neutral by 2030 then we will not achieve our corporate objectives.

4. Government's Fair Funding Review - If the Government review concludes significant changes to business rate retention, Government grant funding or Council Tax generation for Cheltenham then the MTFS budget gap may increase, requiring greater savings than already planned.

5. Prioritisation of capital resources – If CBC are unable to prioritise medium term projects and programmes which require significant capital financing then it will increasingly have to rely of borrowing to fund service investments increasing the pressure on our revenue budgets to fund repayments.

Contact Officer: Victoria Bishop
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WORK PROGRAMME 2025

09 July 2025

1	Audit progress report and sector updates	External auditor	carried forward
2	External Audit Fee Letter (for previous year)	External auditor	carried forward
3	Internal audit opinion (for the previous year)	Internal Audit	
4	Internal audit monitoring report	Internal Audit	
5	Auditing Standards – communicating with the Audit Committee	Paul Jones/Chair	
6	Statement of Accounts (previous year) (inc. letter of representation)	Finance Team	
7	Annual update on FOI and EIR	Beth Cordingley	
8	Review of Risk Register	Victoria Bishop	
9	Local Code of Corporate Governance and Annual Governance Statement	Claire Hughes / Victoria Bishop	carried forward
10	2024-25 Audit, Compliance and Governance Annual Report to Council	Chair Audit Committee	carried forward

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