

Cheltenham Borough Council Audit, Compliance and Governance Committee

Meeting date: 22 April 2026

Meeting time: 6.00 pm

Meeting venue: Council Chamber - Municipal Offices

Membership:

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

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Agenda

1 Apologies

2 Declarations of interest

3 Minutes of the last meeting (Pages 5 - 8)

To approve the minutes of the meeting held on 23 February 2026

4 Auditor's Annual Report, 2024-25 (Pages 9 - 32)

Report of Bishop Fleming, external auditor

5 Audit Completion Report 2024-25 (Pages 33 - 60)

Report of Bishop Fleming, external auditor

6 External Audit Plan 2025-26 (Pages 61 - 82)

Report of Bishop Fleming, external auditor

7 Internal Audit Plan 2026-27 and Internal Audit Charter and Mandate 2026-27 (Pages 83 - 104)

Report of Lucy Cater, Assistant Director, South West Audit Partnership (SWAP)

8 Internal Audit Update, April 2026 (Pages 105 - 120)

Report of Lucy Cater, Assistant Director, South West Audit Partnership (SWAP)

9 Draft Accounting Policies 2025-26 (Pages 121 - 152)

Report of Adele Taylor, Interim Director of Finance and Operations & S151 Officer

10 Counter Fraud and Enforcement Unit Report (Pages 153 - 162)

Review of Adele Taylor, Interim Director of Finance and Operations & S151 Officer

11 Corporate Risk Register Update, April 2026 (Pages 163 - 168)

Report of Margaret Anderson, Interim Governance, Risk and Assurance officer

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

13 Date of next meeting

15 July 2026

14 LOCAL GOVERNMENT ACT 1972 - EXEMPT INFORMATION

The committee is recommended to approve the following resolution:-

“That in accordance with Section 100A(4) Local Government Act 1972 the public be excluded from the meeting for the remaining agenda items as it is likely that, in view of the nature of the business to be transacted or the nature of the proceedings, if members of the public are present there will be disclosed to them exempt information as defined in paragraph 3, Part (1) Schedule (12A) Local Government Act 1972, namely:

Paragraph 3: Information relating to the financial or business affairs of any particular person (including the authority holding that information)

15 Exempt Minutes, 28 January 2026 (Pages 169 - 172)

To approve the exempt minutes of the meeting held on 28 January 2026

16 Confidential Risk Register Update, April 2026 (Pages 173 - 176)

Report of Margaret Anderson, Interim Governance, Risk and Assurance Officer

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Cheltenham Borough Council

Audit, Compliance and Governance

Committee

Minutes

Meeting date: 23 February 2026

Meeting time: 6.00 pm - 7.00 pm

In attendance:

Councillors:

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

Also in attendance:

Claire Hughes (Director of Governance, Housing and Communities), Nathan Coughlin and Jon Whitlock (Head of Finance (Deputy S151 Officer))

1 Apologies

There were none.

2 Declarations of interest

There were no declarations of interest.

3 Minutes of the last meeting

The minutes of the meeting held on 28 January 2026 were approved as a true record and signed accordingly.

4 Audit Completion Report for year ending 31 March 2025

Introducing the item, the Chair commented on the unprecedented issues faced by the finance team during the period of the audit in question, and was sure that Members would bear this in mind when considering the report.

Nathan Coughlin (NC) of Bishop Fleming said the context of the report is important, and highlighted the key points.

He provided the following responses to Members' questions:

- last year, the main issue was the short timeline left from previous year to work on the disclaimed accounts from the previous auditors – just two months, presenting a challenge for both sides to get through everything. However, a good proportion of the work with management was achieved, and a full valuation from March 2025 was agreed, providing a line in the sand from which to build back;
- Bishop Fleming cannot finalise the Annual Audit Report until the external audit has been signed off, but as long as the final accounts are produced by management in the next week or so, followed by the consultation period, there should be just enough time to bring the report to the meeting on 22 April.

The Deputy S151 Officer confirmed that the airport wasn't audited until the end of November, group accounts couldn't be produced until that had been done, and the airport accounts haven't been consolidated due to the lack of resource.

In response to a further Member question, NC said that it is for management to say when all the required information ready to be audited. The Deputy S151 Officer said that as far as general balances and earmarked reserves are concerned, the position is finalised as long as the auditors are happy with what the finance team has produced – the position has not moved significantly since the summer. He said reserves are not an area where he would expect to make changes, and confirmed that he was happy that the revenue accounts will balance.

A Member reiterated the huge resourcing issues faced by the finance team, and said that although producing all the required information for the auditor is important, managing and keeping control of the day-to-day finances of the council must always be the Number 1 priority. NC confirmed that valuations on the balance sheet for property and heritage assets may seem huge, but movement in those is not as critical as the income and expenditure account on movements. He has had productive discussions about priorities with the Interim S151 Officer, and agreed that other statutory responsibilities such as budget setting for next year, making sure management accounts are produced, and other day-to-day works must come first. He said CBC's position is extremely unusual, and the team is further compromised by a number of projects including the return of CBH, Golden Valley, and sale of assets.

Moving on, responding to further Members' questions, NC said that:

- the statement on page 20 of the report '*Our work has not identified a material uncertainty related to going concern. We are satisfied that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate*' cannot be used to conclude that the council is not at

risk of issuing an S114 notice. The auditors have not identified anything to suggest the council is heading for an S114 but have not been able to complete all the work they would like to do in a going concern review. The value for money work is ongoing, and it also covers financial sustainability. There will be more around negative assurance in that area, and whether any significant weaknesses have been identified in CBC's arrangements to secure financial sustainability.

Members agreed that the resource situation is not helped by officers having to devote large amounts of time and effort to LGR and elections

In response to further questions, NC confirmed that:

- the new disclosure requirement requires the Annual Governance statement to explicitly document how the risk of an S114 notice has been assessed, and what activities and mitigations the council has in place to prevent it from happening. That consideration wasn't included in the drafts, but needs to be documented now and added to the accounts. The work is not yet concluded – Bishop Fleming is not aware of any issues at this stage but work is ongoing;
- to keep track of the situation, the committee can monitor a number of areas, including the financial sustainability of the council, being comfortable that arrangements and frameworks are in place, and operating effectively, that the budgeting process is being followed – management accounts up to date, forecasting, medium-term financial strategy - all of which are a challenge from a resource point of view;
- the auditor's opinion on the value for money (VFM) work for 2024-25 will be fairly clean, as it has been business as usual for those controls and processes, but the function of the committee is to ensure that they are still receiving that information and assurance, and that the process is working as it should;
- disclaimed accounts are not uncommon around the country, due to the capacity issues for external auditors around the country. Bishop Fleming are keen to correct this before LGR takes place;
- regarding ongoing issues around expenditure and income, there are still a handful of queries in some areas and work is ongoing - auditors cannot say at this stage that nothing will be material and there won't be a sample test if anything arises, but have not found anything at present. Work should conclude at the end of the week and an update will be provided at the next meeting;
- no issues around debtors and creditors have been identified since the report was drafted.

A Member expressed concern that the papers have been shared despite the confidentiality paragraph, resulting in some adverse public comments. The Monitoring Officer explained that this information is in the public domain, and another Member suggested that confidentiality clause is standard – councils must publish this information and public scrutiny is part of the audit process. NC confirmed that

the auditors recognise the council's duty to share information with the public, and the paragraph is more about the duty of care it owes to its client, the council.

Returning to Member questions, NC said that:

- regarding the green, amber and red assessments, the auditors have tried to be factual in reporting, but the council's perfect storm of difficult circumstances mean that they have not got final set of accounts to sign off. They will be reassessing where to start building back to provide assurance, and will also look for a plan from management about how they are making sure they can produce a set of accounts and evidence to support it on a timely basis for this year. As a minimum, they can do a full audit of the 2026 balance sheet and 2025-26 income and expenditure, with any work towards build-back a bonus, but this is very much driven by council management. The recent appointment of an interim S151 officer and increased capacity to complete the 2025-26 accounts is noted, and the Deputy S151 Officer confirmed that his team is working closely with NC on how they can build back better and provide assurance.

Due to unforeseen circumstances, it was agreed to conclude the meeting at this point.

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

There were none.

6 Date of next meeting

The next meeting is scheduled for 22 April 2026.

7 Exempt Minutes of last meeting

The exempt minutes of the meeting held on 28 January 2026 will be approved at the next meeting of the committee.

Auditor's Annual Report
Cheltenham Borough Council

For the year ended 31 March 2025



Ref: 125940
Date: 13 April 2026

Members of the Audit Compliance and Governance Committee
Cheltenham Borough Council
Municipal Offices
Promenade
Cheltenham
GL50 9SA

Dear Members

Cheltenham Borough Council ('the Council') – Auditor's Annual Report 2024/25

We are pleased to attach our draft Auditor's Annual Report for the financial year 2024/25. This report summarises our audit conclusions and highlights the key findings arising from our value for money work.

We have initially discussed the contents of our report with management and have incorporated their comments where relevant.

This report is intended to be solely for the information and use of management and those charged with governance of the Council and should not be shared with anyone beyond the Council without our prior approval.

We would like to take this opportunity to thank the Council's officers for the co-operation and assistance afforded to us during the course of the audit.

Yours faithfully

Bishop Fleming Audit Limited

BISHOP FLEMING AUDIT LIMITED

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1. Introduction

Our Auditor's Annual Report (AAR) summarises the work that we completed for Cheltenham Borough Council (the Council) for the year ended 31 March 2025.

The Council is responsible for keeping proper accounts and proper records in relation to the accounts and for maintaining an appropriate system of internal control. The Council is responsible for the preparation of annual accounts for each financial year. Such accounts must present a true and fair view and comply with the requirements of enactments that apply to them.

The Council is also responsible putting in place appropriate arrangements to secure the economy, efficiency and effectiveness in its use of resources and to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives whilst safeguarding and securing value for money from the public funds at their disposal.

The scope of our work is set in accordance with the National Audit Office's (NAO) 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 responsible for and are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Council 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.

We are also required to report to the Council 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.

In addition, we are also responsible for reviewing the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources. The Code 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.

We carried out our work in accordance with our Audit Plan, which we issued to the Council in April 2025 and was presented at the Audit and Standards Committee in May 2025.

2. Executive summary

Results from the audit of the financial statements

We will be issuing a modified disclaimed opinion on the Council’s financial statements. This disclaimer is due to the lack of assurance over the opening balance from previous year’s disclaimed opinions, but also the delay in the Council publishing its full final financial statements. See Section 3 for more details.

On finalisation of the external audit, we completed the component auditor procedures, in line with the National Audit Office group auditor instructions for the work required on the Whole of Government Accounts return. There are no issues to report to the Council.


Results on our work on other matters

Our work relating to other matters has been completed in line with our audit plan. For those minor areas that have required updates or amendments, management have engaged constructively with us and responded positively to our requests. See Section 3 for more details.




Results from our work on VFM arrangements

Under the Code, we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

Our conclusions are summarised below. See Sections 4-8 for more details.

Financial sustainability	 Amber	We did not identify any significant weaknesses in the Council’s arrangements for financial sustainability. We have three unresolved improvement recommendation from the prior year. See Section 8 for details.
Governance	 Red	We identified a significant weakness in the Council’s governance arrangements for the year ended 31 March 2025 in relation to the delayed production of the group financial statements. We have one unresolved improvement recommendation from the prior year. See Section 8 for details.
Improving economy, efficiency and effectiveness	 Amber	We did not identify any significant weaknesses in the Council’s arrangements for improving economy, efficiency and effectiveness. We have two unresolved improvement recommendations from the prior year. See Section 8 for details.

Key:

	Green - No significant weaknesses in arrangements identified and no recommendations made
	Amber - No significant weaknesses in arrangements identified but recommendations made
	Red - Significant weaknesses in arrangements identified and recommendations made

3. Audit of the financial statements

Audit opinion on the financial statements

The scope of our work is set in accordance with the Code and the International Standards on Auditing (ISAs) (UK). As stated in Section 1 of this report, 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 the Council 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.

It was not possible for us to complete all our planned work for the 2024/25 audit by the statutory backstop date. This is due to the delay in the finalisation of the group financial statements until after the backstop date, but also due to challenges impacting the finance team's ability and capacity to support the audit process. We also note that the 2023/24 audit was disclaimed due to the tight timeline following from the delayed completion of the previous audit, and as a result we could not place reliance on the opening balances.

Given these factors, we have not been able to complete all of our proposed work. As a result, we will be issuing a disclaimed audit opinion on the 2024/25 financial statements.

We have already begun to work with the Council to build back assurance on the financial statements in future years.

Key issues arising from the accounts audit

As mentioned above, we will be issuing a disclaimed audit opinion due to the lack of assurance over the opening balances and inability to complete build back assurance work in all areas proposed or complete work in some areas. Further detail is included in our Audit Completion Report which sets out an update to our planned audit approach for each of these audit areas for further clarity.

Other matters

As stated in Section 1 of this report, we are also required to report to the Council, 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.

We concluded that there were no matters to bring to the Council's attention in respect of these matters.

Audit certificate

At the end of the audit, as auditors, we are required to certify the completion of the audit. The effect of this certificate is to close the audit and marks the point when the auditor's responsibilities in respect of the audit of the period covered by the certificate have been discharged.

We cannot formally conclude the audit and issue an audit certificate for Cheltenham Borough Council for the year ended 31 March 2025 in accordance with the requirements of Local Audit and Accountability Act 2014 and the Code until we have confirmation from the NAO that no additional work (beyond submission of the Assurance Statement) will be required in respect of the Whole of Government Accounts exercise.

More detailed findings can be found in our final Audit Completion Report.

4. Value for Money

Under the Code, we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

The Code requires us to report our commentary 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 NAO has issued guidance for auditors to report against each of the three specified reporting criteria. The guidance also includes a number of further areas for review within each criterion for the auditor to assess those arrangements.

Our initial risk assessment did not identify any potential risks of significant weakness.

We asked management to complete an evidenced self-assessment of the Council's arrangements. We then reviewed the evidence provided and carried out follow up work as appropriate to consider whether there were any significant weaknesses in the arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our commentary on the Council's arrangements in each of these three areas is set out in Sections 5, 6 and 7 of this report. Our recommendations for improvement are included in Section 8.

5. Financial sustainability

We considered how the Council plans and manages its resources to ensure it can continue to deliver its services, including how it:

- ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- plans to bridge its funding gaps and identifies achievable savings;
- plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Overview and 2024/25 outturn

The Council approved the original budget for 2024/25 on 23 February 2024. The original budget set a total cost of services of £23.61m, net spend funded by Council Tax of £10.40m. The budget included a planned transfer of £0.63m to the general fund balance, savings and additional income to be generated of £2.74m, and a total general fund and earmarked reserves balance of £4.33m

The budget was revised through the year, with the final revised budget, approved by Council on 21 February 2025, reducing the planned transfer to the general fund reserve by £0.28m to £0.35m. This was presented for approval along with the budget for 2025/26. The papers included a summary analysis of the overspend from the original budget, with variances reported to cabinet in greater detail in the quarterly financial reporting. The largest variances due to overspends for interest recharges to the HRA (£0.13m) and planning income under delivering (£0.11m) with other positive and negative variances.

The 2024/25 final outturn was reported to Council on 21 July 2025 reported a total underspend of £914 against the revised budget, and a contribution to the general fund balance of £0.35m, in line with the revised budget. The Council delivered £2.01m of the planned £2.74m savings and rolled £0.63m forward into the 2025/26 budget.

The Housing revenue Account (HRA) originally forecast an operating surplus of £0.36m and increase to reserves of £0.17m after £0.19m revenue contribution to capital. The revised budget reduced the net operating surplus to £0.09m. The final outturn for the HRA was a deficit from services of £0.38m with a total net deficit of £0.33m after interest receivable, reducing the HRA revenue reserve to £0.60m at 31 March 2025, noting that this continues the reduction from 2023/24 which reduced the level of HRA revenue reserves by £0.57m.

For 2024/25, the Council budgeted for a capital programme of £20.4m with final capital outturn being £13.1m. The main areas of underspend were on replacement vehicles and recycling equipment and enabling the delivery of Private Rented Sector Housing. These primarily relate to deferred spend and slippage in the programme which have been included in future budgets. In addition, there was an underspend of £3.0m on the HRA Capital programme of £21.1m.

Financial planning and monitoring

Annually the Council sets the budget and Medium-Term Financial Strategy (MTFS). The interim budget proposals for the general fund, HRA, and capital programme was approved by Cabinet on 19 December 2023, subject to conclusion of the consultation on the Local Government Provisional Finance Settlement. An update from the Budget Scrutiny Working Group on the response to the interim budget proposals was presented to the Overview & Scrutiny Committee on 15 January 2024. The 2024/25 general fund budget, HRA budget, capital programme, and 2024/25 – 2028/29 MTFS was approved by Council on 23 February 2024. These are updated through the year and are subject to review at Cabinet and Council. The final 2024/25 budget was revised and approved by Council on 21 February 2025.

Performance is monitored quarterly, with reporting taken to Cabinet which sets out delivery against the annual budget. The reporting includes analysis of significant variances at each quarter, demonstrating the variances to the budget, and tracking of the delivery of savings, with an analysis of on-track and a RAG rating for the delivery of each identified savings programme. This approach ensures that financial targets, including saving initiatives, are closely tracked against key performance metrics. This proactive governance framework supports the Council in responding to emerging financial challenges while maintaining fiscal sustainability.

As at 31 March 2025, the Council has borrowings of £205.7m, an increase of £2.9m from the prior year balance of £202.8m. The level of current borrowings has decreased by £14.2m from 2023/24, with current borrowings at 31 March 2025 being £56.0m (27% of total 2024/25 borrowings) compared to £70.2m (35% of 2023/24 borrowings) at 31 March 2024. Borrowing levels have increased from £174.1m at 31 March 2021, and the Council's debt ratio (the total debt as a percentage of total assets) increasing in that period from 28.9% to 30.7%. Moreover, the 2025/26 Treasury Management Strategy forecasts external borrowing to decrease in the next three years to £192.7m by 31 March 2028 but also notes that the capital financing requirement rises to £377.0m over the same period from £215.8m at 31 March 2025. The 2025/26 Capital Programme (to 2028/29) includes £98.97m budgeted spend on the delivery of the National Cyber Innovation Centre at Golden Valley, which is a key driver in the increase of the CFR. The Council has noted in the 2025/26 budget papers the expectation to realise capital receipts from the sale of the Municipal Offices and Gloucestershire Airport, offsetting the requirement to increase the level of borrowing. We raised a recommendation in our 2023/24 Auditor's Annual Report that the Council needs to put plans in place to manage the levels of debt and have carried this recommendation into this year.

Achieving efficiency savings

As part of the 2024/25 approved budget, the Council approved a four year savings strategy and had planned to make £2.7m of savings. This included cost savings across several service areas. Of the total savings, £2.01m were delivered with £0.63m deferred to 2025/26 due to the timing of delivery. As noted above, delivery of the planned savings was reported to Cabinet in the quarterly financial reporting. We have therefore included a recommendation below as the Council should review savings targets and understand reasons for not meeting these.

The Council's 2025/26 budget includes total savings of £1.1m.

2025/26 financial planning

The financial planning and budgets are based on provisional budget settlements issued by UK Government departments, which feed into the Council's overall planning assumptions. The Council's approach to the capital programme aligns with its approach to the budget planning. The Council's capital programme budget and outturn reports are presented to Cabinet alongside General fund revenue account budgets and outturn reports. The costs of financing the capital programme are reflected within the general fund revenue account budget.

Cabinet approved the 2025/26 interim budget proposals for the HRA, General Fund Revenue & Capital for consultation on 17 December 2024. The Overview and Standards Committee received the Budget Scrutiny Working Group's response to the interim budget proposals on 13 January 2025. The Council received and approved the 2025/26 Final Budget Proposals on 21 February 2025. The approved budgets set a HRA net operating surplus of £0.08m, net General Fund budget contributing to general fund reserves of £0.56m, and a capital programme budget of £39.66m.

There is no workforce strategy implemented at the Council, which is in line with prior year findings. The functions of Cheltenham Borough Homes have been subsumed into the Council in 2024/25, with the staff TUPED across to the Council on 1 July 2024. The Council previously noting that work on a workforce strategy would not commence until this was completed. There has not been a workforce plan implemented in 2024/25. We have included this within Section 8 of the report within the prior year recommendations for follow-up.

Based on the work carried out, we are satisfied that there are no significant weaknesses in the Council's financial sustainability arrangements. We have ongoing recommendations for improvement at Section 8.

6. Governance

We considered how the Council ensures that it makes informed decisions and properly manages its risks, including how it:

- monitors and assesses risk and how it gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- approaches and carries out its annual budget setting process;
- ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests), and for example where it procures or commissions services.

Risk management

The Council has a Corporate Risk register which is reviewed regularly by the Audit, Compliance and Governance Committee. The register was reviewed three times by the committee during 2024/25, at the July 2024, October 2024, and January 2025 committees. The committee also reviewed the Risk Management policy in October 2024, with the revised policy reflecting that previously CBC and CBH had separate policies, and these have been consolidated into a single policy following the transfer of CBH into CBC.

The Risk Register details a specific reference, the risk detail, the risk manager, current assessment score based on impact and probability, change from last assessment, a risk action indicator, current control details, and a review date. We raised a recommendation in 2023/24 that the Corporate Risk Register was missing features of best practice such as linking to strategic objectives, specific risk mitigation details and direction of travel. The latest 2024/25 Corporate Risk register includes “change from last assessment” which summarises any changes in the documented risk as well any movement in the assessment. There is an absence of a risk appetite statement although the policy does refer to “tolerance” of risk and high-level guidance on levels which are RAG rated. Our recommendation remains ongoing and the details can be found in Section 8.

The Council’s Governance Structure is made up the Full Council, Cabinet, Overview and Scrutiny Committee and the Audit, Compliance and Governance Committee, along with a number of other committees and sub-committees. The Cabinet is made up of the Leader of the Council and eight Councillors. Each Cabinet member has assigned responsibilities for an area of the Council allowing them to consider levels of risk in each area. The Cabinet meets regularly throughout the year and convened 11 times through 2024/25.

In regard to management of fraud risk, the Council has a Counter Fraud Enforcement Unit (‘CFEU’) in order to perform reactive review if a fraud is identified or a referral received. We have seen evidence of steps taken by the CFEU of both proactive and reactive positive review actions.

Internal control

The Audit, Compliance and Governance Committee has a key role to play in ensuring the overall effectiveness of internal controls. The Committee discharges this function appropriately, meeting four times a year, and adhering to its terms of reference and challenging officers in relation to internal and external audit findings.

A key element of internal control is the role of Internal Audit. Southwest Audit Partnership (SWAP) are the Council’s Internal Audit supplier. A representative at each of the Audit and Governance Committee meetings to present any findings. The Audit, Compliance and Governance Committee approves the Annual Internal Audit Plan and is provided with a progress

report against the plan at each meeting. The plan for 2024/25 was approved by the Audit and Governance Committee on 17 April 2024.

The annual opinion, which gives an overview of the Council's governance arrangements, risk management processes and internal control environment, was presented by SWAP on 19 July 2025. The 2024/25 internal audit annual opinion was "reasonable assurance". There were no individual internal audit reports that concluded "no assurance", with two "limited assurance" reports, two "reasonable assurance" reports, and five "substantial" assurance reports. Neither of the two reports with the overall "limited assurance" ranking contained any individual findings that were individually rated as high priority.

We are satisfied with the internal control arrangements at the Council.

Budget setting and budgetary control

Consistent with our reporting in the previous year, budgets are designed and set by budget holders before presentation and consultation by the Cabinet with review of the performance against the prior year undertaken alongside budget holders before being approved at a Full Council meeting.

The budget setting process for 2024/25 considered past performance, analysis of market conditions such as interest rates, risk scenarios linked to the MTFs. We have seen through Committee papers including those presented and discussed at Cabinet and Full Council that budget setting is considered at all levels from budget holders, Portfolio Holder for Finance, the Chief Executive, Deputy Chief Executive, S151 Officer and Senior Leadership Team.

Within the monitoring reports seen, budget holders are held to account for delivering budget or developing mitigating actions. Minutes of the Cabinet meetings show quarterly monitoring and scrutiny. Budgets are presented for approval at Cabinet. We have seen the 2024/25 budget was approved at Cabinet in the meeting of 18 February 2025 and then by Full Council on 21 February 2025.

The General Fund and HRA capital programme forms part of the quarterly reporting to Cabinet, evidencing monitoring and oversight of capital projects and progress.

Sufficient evidence has been seen through review of minutes to provide assurance that the budget setting and monitoring processes are reported and discussed with leaders throughout the year. Analysis of budget variations and explanations were included in the reporting.

Decision making

We are satisfied that appropriate arrangements are in place to ensure that all relevant information is provided to decision makers before major decisions are made, and that there are arrangements for challenge of such decisions before they are made.

There is an appropriate culture set by senior officers, driven by the code of conduct set out in the Council's Constitution. This includes appropriate levels of engagement by the leadership team with other senior members and attendance at governance meetings. Leadership also ensure that the appropriate experts are consulted for unusual or complex transactions such as the Publica transition reports.

Ensuring appropriate standards

The Council has appropriate policies and procedures in place to ensure appropriate standards are maintained. These include the code of conduct in the Council's Constitution. We have seen compliance with the standards as an example in the gifts and hospitality declarations which are included on a register and on the Council's website. We have not encountered any examples of gaps in standards during the course of our work and have been assured by management that no serious data breaches have occurred. The Audit, Compliance and Governance Committee receive cyber security update reports to enable monitoring of the adequacy of cyber security arrangements.

We have identified a significant weakness in the Council's arrangements for 2024/25 regarding the production of the financial statements. The significant weakness centred on the Council being unable to produce its full 2024/25 group financial statements before the 20 June 2025 statutory deadline, instead producing them on 5 March 2026, also after the 27 February 2026 backstop date being set by the Ministry of Housing, Communities and Local Government.

The Council did produce a set of Council only financial statements and publish these on their website on 22 July 2025. These financial statements were not complete, as they only reflected the Council and not the group, and did not include material adjustments for the year that were required to be processed, such as the valuations of property, plant and equipment. These amendments were made for the full group accounts published 5 March 2026.

The Council noted that the turnover in the finance team following the merging of Cheltenham Borough Homes into the Council and delay in receipt of the statutory accounts of the joint venture contributed to the delay in the production of the Council's full group financial statements. Cheltenham Borough Homes housing activity and staff were transferred back into the council on 1 July 2024.

Based on the work carried out, we have identified one significant weakness in arrangements and issued written recommendations to the Council to address this. We also have an additional ongoing recommendation for improvement at Section 8.

7. Improving economy, efficiency and effectiveness

We considered how the Council uses information about its costs and performance to improve the way it manages and delivers its services, including:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- how the Council ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

Assessing performance and evaluating service delivery

Service managers produce quarterly performance reports which are presented to the internal leadership team (Chief Executive and Deputy Chief Executive, S151 Officer, Deputy s151, Directors, Monitoring Officer and Head of Performance). As we reported last year, Individual programmes and projects also have their own targets and performance expectations and are reported via the programme/project boards as required.

The Cabinet received the 2023/24 end of year performance report at the 23 July 2024 meeting, as part of the 2023-2027 Corporate Plan Year One Review. The year one review report collates information for the key projects aligned with each of the Council's 5 key priorities. The end of year performance report sets out more granular KPIs for the Council's various service areas, including a target, performance across the 4 quarters of the year, and an overall RAG rating with end of year commentary and notes. This gives an overview as well as the trend analysis across the year which enables inquiry and challenge by the Cabinet. The majority of KPIs were assessed as green, but where they were assessed as Amber or red, there is greater level of detail in the commentary to provide context and enable informed discussion of the results.

Peer challenge is a core part of the Local Government's Association's (LGA) sector support offer to councils. We note that the last corporate peer review was undertaken at the Council on 18th November 2022. The peer review report was published for the Full Council meeting in April 2023. The report highlighted a number of areas where the Council has made good improvements since the last review and went on to develop an action plan to address the further development areas. A progress report in respect of the actions and recommendations of the peer review was presented at the 9 September 2024 Overview and Scrutiny Committee. The report set out the 12 key recommendations made by the peer review and provided an update on the progress taken against each of the recommendations.

Partnership working

The Council participates in a wide range of local partnerships and has a track record of working with strategic partners to develop strategies and translate those into actions for the Council to deliver.

The Council's key partnerships are UBICO, The Cheltenham Trust, One Legal, Publica, and Cheltenham Borough Homes. The services and staff of CBH were transferred back into the Council on 1 July 2024.

The Council maintains oversight and monitoring of its partners with regular meetings occurring within the senior management team. These are reported annually to the Overview and Scrutiny Committee and the Cabinet who review the progress made within the partnerships in line with the framework for partnership working. For example, in 2024/25 the Overview and Scrutiny Committee reviewed the 2023/24 UBICO performance report at the 9 September 2024 meeting and the 2024/25 UBICO business plan was presented to Cabinet on 2 April 2024.

One of the Council's Key Priorities is to achieve net zero by 2030. The Corporate plan clearly sets out the need to work with residents' communities, businesses and the voluntary sector to achieve this. Decisions made about commissioning from Ubico in the coming years are likely to be critical both to future savings plans and to the Council's ability to reach net zero targets. The Council has a good working relationship with Ubico and arrangements for annually reviewing Ubico's business plans and performance, which will be important.

As the Council progresses work with the Golden Valley project, the National Cyber Innovation Centre and associated housing developments around it, new commercial partners are likely to become more important as well. For 2024/25 the Council did not have a partnership policy or register of its key partners. In the previous year's report, it was recommended

that the council should consider adopting a new partnership strategy and register and the details can be found in Section 8 below, this recommendation remains valid for the current year.

Commissioning and procuring services

We reported last year that the Council has a procurement and project management strategy in place, which was last updated in July 2015. In 2024/25 there were draft Contract Rules that were updated to be in line with the Procurement Act 2023 (PA23) and the Procurement Regulations 2024 (PR24) which come into effect February 2025. This outlines how procurement services are outsourced to Publica, and the communicated vision is to demonstrate value for money through effective commissioning and procurement whilst minimising impacts on the environment. The Council have an in-house procurement executive who oversees the Publica procurement function in detail. The Council has continued to update the tools and guidance for staff for procurement to address the new requirements. The overarching procurement strategy had not been revised in 2024/25 to reflect the ongoing changes to made to address the new requirements and we have raised a recommendation below in Section 8, to this effect.

There is no evidence that suggests the Council is failing to operate a fair procurement exercise for significant contracts.

Based on the work carried out, we are satisfied that there are no significant weaknesses in the Council's arrangements for improving economy, efficiency and effectiveness. We have made recommendations for improvement at Section 8.

8. Recommendations

KEY:





Red - Recommendations that refer to issues that have resulted in a significant weakness in the Council's arrangements.



Amber - Recommendations that should improve the arrangements in place at the Council but are not as a result of identifying a significant weakness.

Current Year Issues

Governance – Delayed production of financial statements	
<div style="display: flex; align-items: center;"> 2024/25: <i>Red</i> </div>	
<p>Finding</p> <p>The Council did not produce the full 2024/25 group financial statements before the 20 June 2025 statutory deadline, instead producing them on 5 March 2026, also after the 27 February 2026 backstop date being set by the Ministry of Housing, Communities and Local Government.</p> <p>The Council did produce a set of Council only financial statements and publish these on their website. These financial statements were not complete, as they only reflected the Council and not the group, and did not include material adjustments for the year that were required to be processed, such as the valuations of property, plant and equipment. These amendments were made for the full group accounts published 5 March 2026.</p>	<p><u>Recommendation</u></p> <p>In future years the Council must produce ‘true and fair’ draft financial statements which are signed off by its in line with statutory requirements and deadlines.</p> <p>The Authority should consider whether it has sufficient and appropriate resource and suitable workflows to manage the various ongoing projects and to enable the timely production of financial statements before statutory reporting date.</p> <p><u>Management Comment</u></p> <p>We acknowledge that due to exceptional circumstances around resourcing this year, that statements were not able to be produced in time including group accounts. New resources have joined the team during 2025/26 and plans have been put in place to produce accounts to statutory deadlines this year.</p>

Financial Sustainability – Level of borrowing	
<p>2023/24:  <i>Amber</i></p>	<p>2024/25:  <i>Amber</i></p>
<p><u>2023/24 Finding</u> The Council's level of borrowing has increased significantly over recent years and is forecast to increase more so over the life of the Treasury Management Strategy, whilst there are a number of ongoing strategic projects that the Council are investing in. There is also increasing borrowing for capital expenditure for the replacement of housing property components in the HRA.</p> <p>A significant proportion of the debt is short-term borrowing following movements in interest rates have made long term fixes less attractive.</p>	<p><u>2023/24 Recommendation</u> We recommend that the Council closely tracks the need for additional borrowing as projects such as the Golden Valley development and strategic disposals progress.</p> <p>The Council should review options to reduce external borrowing (such as strategic disposals to fund reinvestment in the HRA) in order to minimise finance costs and manage risks of adverse movements in interest rates.</p> <p><u>2023/24 Management comment</u> At the end of 2024/25 the Capital Financing Requirement of the Council is estimated to be £211.02m. This is split between the General Fund (£112.2m) and Housing Revenue Account (£98.8m). The total £211m includes approximately £60m of temporary debt with the remaining being fixed into long term maturity deals. The growth in the borrowing requirement over the life of the Treasury Management Strategy is to fund two significant areas:</p> <ul style="list-style-type: none"> • Capital Investment in housing stock; and • The National Cyber Innovation Centre. <p>Work is currently ongoing to review the 30-year HRA business plan which tracks a number of different measures including interest cover and borrowing levels. Reducing our reliance on borrowing will be crucial to ensuring the long-term financial sustainability of the HRA. Management will work with the administration to agree a strategy around borrowing and investment which will support this.</p> <p>Of the existing temporary borrowing, £40m relates to the land purchased for the Golden Valley development. We are looking to fix this debt once PWLB rates fall. The financial model on which the Development Funding Agreement for the National Cyber Innovation Centre decision was based also include assumptions for the cost of debt. Our funding options for the project are being reviewed with the objective of minimising the borrowing required to ensure that the investment meets the principals and viability tests set out in the same decision paper.</p> <p><u>2024/25 Update</u> The Council's level of borrowing has increased significantly over recent years and has increased from 2023/24. The portion of debt that is short-term has reduced from 2023/24 but remains a significant proportion of overall debt. Our recommendation remains ongoing.</p> <p><u>2024/25 Management comment</u> The council continues to monitor it's levels of borrowing and takes external advice to ensure it balances the amount of debt it carries across the short-term and also fixed through PWLB. The Council continues to explore the assets that it holds that could be used to reduce it's borrowing levels if these are identified as assets that are surplus and not required for operational reasons.</p>

2023/24:  Amber 2024/25:  Amber

2023/24 Finding

Within the Strategic Risk Register, the individual risks are not mapped to specific corporate objectives or KPIs.

2023/24 Recommendation

While many improvements have been started during 2024/25, we would suggest that a clear link to the five key strategic priorities of the Council, with a clear articulate risk appetite statement. We would expect to see the inherent risk score, impact of mitigations and therefore residual risk score reflected to allow management and committee to interrogate controls in place and their effectiveness over time.

2023/24 Management comment

The existing Corporate Plan for 2023-27 is currently being reviewed and a draft was provided as part of the audit evidence. Once the Corporate Plan and strategic priorities of the administration have been refreshed for 2025-2029 then we can consider whether an overall risk appetite is appropriate.

2024/25 Update

The Corporate Plan 2023-27 was in place for 2024/25 and has since been refreshed in July 2025 for the Corporate Plan 2025-28. Our recommendations regarding the clear linking of the five key strategic priorities of the Council, a statement clearly articulating the Council's risk appetite, and impact of mitigations remain ongoing.

2024/25 Management comment

This matter remains ongoing as the corporate plan was refreshed during the year and approved in the new financial year.

2023/24:  Amber2024/25:  Amber**2023/24 Finding**

The Council's procurement and contract management strategy requires updating, including giving appropriate consideration to the Procurement Act 2023 which is effective from 24 February 2025.

2023/24 Recommendation

The Council Procurement and contract management strategy should be reviewed, and revised where appropriate, to ensure that it is not failing to operate a fair procurement exercise for significant contracts and the revised procurement and contract management strategy should reflect current governance arrangements.

The Council should obtain specialist advice and support to ensure that the procurement and contract management strategy is revised and updated in a timely manner and reflects current legislation.

2023/24 Management comment

As evidenced as part of this review, the Council now have in post a specialist Strategic Procurement Manager who is assessing and supporting our readiness for the implementation of the new Procurement Act.

As part of this role, documentation and procurement toolkits are being updated and relaunched with accompanying training and support. The toolkit will split out current procurement and contract management strategy into smaller sections making it easier to access and use.



2024/25 Update

The Council now has in place procurement documentation and training for the Procurement Act 2023, and a procurement toolkit that are all accessible from the Council's intranet. An overarching strategy which reflects these changes has not been finalised.

2024/25 Management comment

The focus for strategic procurement has been to ensure that we prioritised the detailed toolkits and procurement documentation to ensure compliance with the new act. Consideration of a refresh of the overarching strategy will also need to be considered in the light of potential changes as part of LGR.

Prior Year Issues reported by the predecessor auditor – ongoing

Financial Sustainability – Achieving savings targets	
<p>2023/24:  <i>Amber</i> 2024/25:  <i>Amber</i></p> <p><u>Predecessor Auditor’s finding</u> Discipline over savings plans will be necessary to re-build the general balance.</p> <p><u>Predecessor Auditor’s recommendation</u> Savings and additional income plans: For future years, a detailed look back at the previous areas of overspend and non-delivery should feed into assumptions made at the budget setting stage. Sensitivity analysis, both during budget setting and refreshed during the year, will be important for remaining mindful of the impact that any shortfall in savings plans could have.</p> <p><u>Previous management comment</u> Work is going is ongoing to ensure that there is a collective accountability across the organisation for budget and saving decisions. Where work has been successful in identifying savings, some have not been seen through to achievement and in some budget areas we are going reporting overspends against base budgets which needs to be owned and managed by service areas.</p>	<p><u>2023/24 Update</u> Savings and additional income plans were not delivered in full for 2023/24, as had been the case for the two previous financial years. Savings plans will need to be adhered to, given the reducing level of reserves.</p> <p><u>2023/24 Revised management comment</u> The Section 25 report produced by the Section 151 Officer to accompany each final budget proposal makes a number of assumptions to determine the appropriate level of general balances. One of those assumptions is the level of savings delivered each year. In 2024/25 that was assumed to be 80%, with general balances sufficient to cover any shortfall. At January 2025 we have delivered 73% of the £2.741m. This is a significant increase in the level of savings delivered in 2023/24 which reflects the work with the administration and budget holders on collective accountability.</p> <p>Work continues on the 2024/25 savings and any undelivered target will need to be achieved in 2025/26. The 2025/26 budget also makes much more prudent assumptions on levels of commercial income, fees and charges which have missed their targets during the post pandemic period. Together, these actions should result in a significant replenishment of reserves and balances by 31 March 2025.</p> <p><u>2024/25 Update</u> The Council had an overspend of £0.28m compared to its original budget, it set savings and additional income plans of £2.71m of which £2.01m were delivered with £0.63m rolled into the 2025/26 savings target of £1.13m included in the 2025/26 budget. The recommendation remains ongoing.</p> <p><u>2024/25 Management comment</u> The focus remains on delivering to budget including delivery of savings targets. A number of these targets are held centrally, including during 25/26. A refreshed approach to splitting out these targets was considered for budget setting for 26/27.</p>

2023/24:  Amber 2024/25:  Amber

Predecessor Auditor's finding

Scope for strengthening workforce planning arrangements for better alignment with the budget.

Predecessor Auditor's recommendation

The Council should consider developing a formal workforce strategy.

Previous management comment

Once the transfer of Cheltenham Borough Homes (CBH) employees has been undertaken and we have a stable HR operation, work will be undertaken on a larger term sustainable workforce strategy to meet future needs.

2023/24 Update

The decision was taken in October 2023 to wind up CBH and the staff were transferred back to the Council in July 2024. The decision was taken to delay the development of a workforce strategy until the new structures and alignment of the two sets of officers was embedded.

2023/24 Revised management comment

Although the staff from Cheltenham Borough Homes were transferred back to the Council in July 2024, operationally many teams are still transitioning. In the final quarter of 2024/25 the second phase of management reorganisation is underway and it is expected that teams will start to stabilise under new structures by late Summer 2025. At this point the future workforce strategy will be reviewed, taking into account the resilience of our officer functions in preparation for Local Government Reorganisation within Gloucestershire.

2024/25 Update

The CBH functions were subsumed into the Council during 2024/25. The recommendation remains ongoing.

2024/25 Management comment

This action remains ongoing.

2023/24:  Amber 2024/25:  Amber

Predecessor Auditor's finding

The council does not have a partnership policy or a register of its key partners. The council is in the process of identifying how key partners contribute to the corporate objectives as they develop performance management.

Predecessor Auditor's recommendation

The Council should develop and approve a partnership strategy and partnership register which includes:

- A central record of Council's partnership activity, including partnership governance arrangements
- An assessment of partnership risks and subsequent mitigations through the inclusion of a partnership risk register.
- Best practice information for officers in respect of partnership management

Previous management comment

The council recently appointed a full time Director with responsibility for governance who also acts as the Council Monitoring Officer. Partnership governance arrangements and activity will be overseen and coordinated through this postholder. Partnership risks are currently captured on CBC's corporate risk register but these could be categorised and pulled out for a separate register in the future. Different partners require a differing approach from client managers, but we can consider incorporating some suitable training on the best approach as long it is specific to that partner.

2023/24 Update

The Council does not at present have a partnership policy or register of its key partners. As the Council progresses work with the National Cyber Innovation Centre and associated housing developments around it, new commercial partners are likely to become more important as well.

2023/24 Revised management comment

There is a clear distinction between our partners who are commissioned to deliver core services on our behalf and contractual partners who are procured for specific goods and services. The monitoring of each will differ dependent on the nature and specification of those services with the latter falling much more within the contract management recommendation above as part of the new Procurement Act regulation. For partners who are engaged under commissioning arrangements, we are currently reviewing our management structures as part of an organisational restructure following the transfer of housing services back to the Council. This includes commissioning functions to ensure there is capacity and resource to scrutinise, support and monitor delivery.

2024/25 Update

The Council did not have a partnership policy or strategy in place during 2024/25. The recommendation remains ongoing.

2024/25 Management comment

Significant action has been undertaken in 25/26 to address this including a detailed partnership register.



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Date: 13 April 2026

Those Charged with Governance
Cheltenham Borough Council
Municipal Offices
Promenade
Cheltenham
GL50 9SA

Dear Members of the Audit and Standards Committee

Cheltenham Borough Council – Audit Completion Report 2024/25

We are pleased to attach our Audit Completion Report for 2024/25. This report summarises our audit conclusions, highlights the key findings arising from our work and details a number of points that we would like to discuss further with you.

We issued a previous version of this report to be presented to the 23 February 2026 Audit, Compliance and Governance Committee. At the time of issue of that previous report, management were still providing further documentation to enable us to conclude our work in certain areas and an updated final set of consolidated financial statements were also being finalised by management. This final report provides an update on those matters previously reported where work was still in progress.

We have initially discussed the contents of our report with management and incorporated their comments where relevant.

This report is intended to be solely for the information and use of management and those charged with governance of the Council and should not be shared with anyone beyond the Council without our prior approval.

We would like to take this opportunity to thank the finance team for the co-operation and assistance afforded to us during the course of the audit.

Yours faithfully

A handwritten signature in black ink that reads "Bishop Fleming Audit Limited". The script is cursive and elegant.

Bishop Fleming Audit Limited

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Appendices

1. Required communications with the Audit and Standards Committee

1. Executive summary

Status of audit

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 the Council 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.

In our 2023/24 Audit Completion Report we highlighted our proposed plan to build back assurance after a disclaimed audit opinion was provided by the previous auditors over the 2022/23 statement of accounts. However, we have not been able to complete all of our proposed audit work.

As detailed in section 2, there were a number of areas where we have been unable to complete our work due to the delay in the finalisation of the financial statements and the delays in the receipt of some supporting documentation to complete audit procedures. There were unforeseen circumstances that significantly impacted the finance team's ability and capacity to support the audit process.

We issued a previous version of this report to be presented to the 23 February 2026 Audit, Compliance and Governance Committee. At the time of issue of that previous report, management were still providing further documentation to enable us to conclude our work in certain areas and an updated final set of consolidated financial statements were also being finalised by management. This final report provides an update on those matters previously reported where work was still in progress.

The group financial statements have now been completed and published, although this was after the 2024/25 statutory backstop date of the 27 February 2026.

We will be issuing a disclaimed audit opinion due to the lack of assurance over the opening balances, and areas noted in section 2 of this report.

This opinion will be provided following the 30 day period of public inspection for the Council's group financial statements, completing on 6 April 2026. As such, we have not been able to issue our opinion by the 27 February 2026 backstop date.

Key audit issues

Within our Audit Plan which was presented to the Audit and Standards Committee in May 2025, we outlined a number of risks that we considered to be of particular significance to the audit. Our plan also detailed our planned approach for addressing each of these risks.

The specific significant risks highlighted were as follows:

- management override of controls;
- valuation of land and buildings (and Council dwellings);
- valuation of investment properties;
- valuation of heritage assets; and
- valuation of the pension fund net liability.

In respect of the significant risks, as detailed in section 2 of this report, we have not been able to complete work on the valuation of land and buildings (and Council dwellings), investment properties, and heritage assets due to delays in the Council completing their work over these areas. The subsequent adjustments required from the valuation exercise had not been processed in the statement of accounts before the statutory backstop date and as a result we have been unable to complete our work over these areas before the backstop deadline.

The work over management override of controls and the valuation of the pension fund net liability is complete. This is reported in greater detail in section 4.

As mentioned above, we will be issuing a disclaimed audit opinion due to the lack of assurance over the opening balances and inability to complete build back assurance work in all areas proposed or complete work in some areas. In section 2, we have set out a more detailed update to our planned audit approach for each of these audit areas for further clarity.

Audit Adjustments

During the course of our work, adjustments were identified and management agreed to make the amendments in the updated financial statements produced.

Further adjustments were proposed but not made, as those charged with governance do not consider them to be material to the financial statements. We accept this explanation.

Full details of the adjustments identified are included in section 5 to this report.

Management Letter Points and Internal Control Matters

A number of control points were identified during the course of our work, and these are further detailed in section 6 to this report. Of the matters noted, we have ranked one as a high risk control weakness. This is in relation to the impact of the changes in the finance team and their ability to deliver a final set of financial statements for audit.

We note that there were capacity pressures on the finance team during 2024/25 with the staff and services of Cheltenham Borough Homes being brought in-house to the Council, and several significant projects that required senior finance team input such as the Golden Valley project. We have not identified any other significant control weaknesses from the work we have completed, however it is important to recognise that a number of areas have not been audited as explained in section 2.

A number of further changes impacted the finance team post year end and there is a risk that such changes could weaken the control environment for periods during 2025/26. It is important that sufficient focus is placed upon ensuring core financial and budgetary controls continue to operate effectively in 2025/26 through this challenging period. We will spend time focusing on any changes in the control environment and the impact that this will have on our audit risks and approach for our 2025/26 external audit.

Value for Money

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 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.

Our work has identified a significant weakness regarding the production of the financial statements; see section 7 for more details. The results of the Value for Money work are reported separately in our Auditor's Annual Report.

Independence

The FRC Ethical Standard and ISA 260 requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our independence and objectivity. The aim of these communications is to ensure full and fair disclosure by us to those charged with governance on matters in which you have an interest.

We are not aware of any relationships that, in our professional judgment, may reasonably be thought to bear on our independence or the objectivity of the audit engagement team.

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We confirm that in our professional judgment, Bishop Fleming is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff has not been compromised.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. Should you have any specific matters that you wish to discuss, please contact us.

2. Introduction

Responsibilities of the audited body

The audited body is responsible for the preparation of the financial statements and for making available to us all the information and explanations we consider necessary. Therefore, it is essential that it confirms that our understanding of all matters referred to in this report are appropriate, having regard to its knowledge of the particular circumstances.

We would point out that the matters dealt with in this report came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements of Cheltenham Borough Council.

In consequence, our work did not encompass a detailed review of all aspects of the system and controls and cannot be relied upon necessarily to disclose possible frauds or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might reveal.

Materiality

In carrying out our audit work we have considered whether the financial statements are free from 'material misstatement'. Materiality is an expression of the relative significance of a particular matter in 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.

	Basis of materiality	Amount
Cheltenham Borough Council	2% of gross expenditure	£1,882,000

Anticipated audit report

The Council's financial statements for 2023/24 were given a disclaimed audit opinion. As a result, we do not have assurance over the opening balances for the 2024/25 audit and there are material areas of the 31 March 2025 balance sheet and 2024/25 income and expenditure statement for which we have not been able to gain sufficient assurance in the current year.

We will be issuing a disclaimed opinion on the financial statements of Cheltenham Borough Council for the year ended 31 March 2025.

We will provide the audit opinion following the completion of the 30 day period of public inspection for the Council's group financial statements in April 2026.

We will be aiming to rebuild assurance over subsequent audit years. We will set this out in greater detail in our 2025/26 audit plan, working with management and the finance team to establish a suitable approach to build back assurance to return the Council to an unqualified opinion.

Letter of Representation

We will provide the letter of representation separately.

Update on our planned approach

As you will be aware, on 5 September 2024 the government published the Accounts and Audit (Amendment) Regulations 2024, which came into force on 30 September 2024. These set a publication date for financial statements up to and including 2022/23 of 13 December 2024 and for the 2023/24 financial statements of 28 February 2025. The National Audit Office Code, which came into force on 14 November 2024, also requires that auditors should issue their audit report in time for the relevant authority to publish its accounts by the specified date in those Regulations. Where audit work is not concluded, this will result in either a qualification or disclaimer of opinion.

The 2022/23 and 2023/24 accounts were both disclaimed, as no audit work was completed in 2022/23 and the 2023/24 were not fully audited due to the time restriction of the backstop. This has meant that we are unable to place reliance on opening balances or give an opinion on in-year movements which depend on those balances.

The Council published draft 2024/25 financial statements on their website in advance of the planned commencement of the audit. These financial statements were not complete, as they only reflected the Council and not the group, and did not include material adjustments for the year that were required to be processed, such as the valuations of property, plant and equipment.

At the planned start date of the audit (October 2025) the group accounts were still not finalised, and the omissions noted in the original draft had not yet been addressed. As a result, we agreed to delay the start of our substantive work, but selected samples for testing in areas where balances were expected to be final for management to work on before we resumed our testing in November 2025.

As the delayed audit was due to restart in November, the former Section 151 Officer sadly passed away. This required an immediate pause while the Council addressed the operational and governance implications of this loss and the wider impact that this loss had on the finance team. The audit resumed in December 2025, though there had been no progress on the financial statements.

In January 2026 a key member of the finance team was then unavailable, resulting in further delays in resolving audit queries.

A new interim Section 151 officer was employed from January 2026.

We discussed the progress and challenges with management and agreed the areas we would complete our testing over, provided management were able to resolve our outstanding queries, given the remaining tight timeframe to the 27 February 2026 backstop date.

The Council published the group financial statements on its website on 5 March 2026, after the 27 February 2026 backstop date. As well as including group balances, these financial statements had also been amended for the adjustments to the Council results noted above.

In the previous draft of this report issued to the Audit, Compliance and Governance Committee in February, we included a summary of the work completed in each of the main sections of the financial statements. Since the issue of this report, we have worked with management to close down any ongoing work. Efforts are now being focused on working with management to build back assurance starting from the 2025/26 audit process. The final position for the 2024/25 audit work completed can be summarised as follows:

Area	Work Completed
AGS	Standard audit approach taken, finding raised in relation to the need to document the consideration of the risk of a section 114 notice. See Section 5 for further details.
Narrative Report	Standard audit approach taken, completed on the Council only draft. The narrative sections in the updated group financial statements are consistent with the original draft.

Area	Work Completed
Expenditure (including payroll)	<p>Standard audit, except for HRA expenditure, depreciation and gains/losses on revaluation of property plant and equipment, investment properties and financial assets which have not been tested.</p> <p>We were unable to complete our substantive testing over expenditure cut-off samples. We will considered the implications of this and develop a plan to address this as part of our risk assessment process for building back assurance that we will recommence as part of our 2025/26 audit cycle.</p>
Income	Standard audit approach taken, except for HRA income which has not been tested. Our testing is complete.
Expenditure and Funding Analysis	Standard audit approach taken. Our testing is complete.
Property, Plant and Equipment	Testing not completed due to omission of valuation entries and the fixed asset register not reconciling to the draft financial statements – we plan to build back assurance in 2025/26 by testing the 31 March 2026 year-end balance
Heritage Assets	Testing not completed due to omission of valuation entries and the fixed asset register not reconciling to the draft financial statements – we plan to build back assurance in 2025/26 by testing the 31 March 2026 year-end balance
Investment Property	Testing not completed due to omission of valuation entries and the fixed asset register not reconciling to the draft financial statements – we plan to build back assurance in 2025/26 by testing the 31 March 2026 year-end balance
Investments	Standard audit approach taken. Our testing is complete.
Debtors	<p>Standard audit approach taken, except for community infrastructure levies and benefits overpayments where we did not receive suitable breakdowns to undertake our testing, and the bad debt provision.</p> <p>We plan to build back assurance in 2025/26 by testing the 31 March 2026 year-end balance.</p>
Assets Held for Sale	<p>Testing not completed due to omission of valuation entries and the fixed asset register not reconciling to the draft financial statements.</p> <p>We plan to build back assurance in 2025/26 by testing the 31 March 2026 year-end balance</p>
Cash and cash equivalents	Standard audit approach taken. Our testing is complete.
Borrowing	Standard audit approach taken. Our testing is complete.

Area	Work Completed
Creditors	<p>Standard audit approach taken, except for receipts in advance, where an itemised breakdown of the year end balances that reconciles to the balance was not provided to enable us to undertake our testing.</p> <p>We plan to build back assurance in 2025/26 by testing the 31 March 2026 year-end balance</p>
Grant receipts in advance	<p>Testing not completed as an itemised breakdown of year end balances that reconciled to the overall balance was not provided to enable us to undertake our testing.</p> <p>We plan to build back assurance in 2025/26 by testing the 31 March 2026 year-end balance</p>
Provisions	Standard audit approach taken.
Reserves and MiRS	<p>Standard audit approach taken to testing of consistency and accounting treatment in reserves. However, gaining assurance over the accuracy and completeness of reserves balances brought forward is much more complex given the disclaimed opinions and lack of audit work completed on the 2022/23 and 2023/24 income and expenditure. This is discussed further below.</p>
Cash Flow Statement	<p>We have agreed the majority of CFS to other areas of the accounts. However, we cannot fully conclude on this as assurance has not been given on some of those areas (such as debtors or creditors).</p>
Related Party transactions	Standard audit approach taken.
Collection Fund	<p>Standard audit approach taken, except for Council Tax and NNDR relief testing where we were unable to complete our testing of these balances before the backstop date.</p> <p>We will consider how to most effectively build back our assurance over the Collection Fund in our 2025/26 audit cycle.</p>
Financial Instruments Disclosures	Standard audit approach taken.
Senior Officer Remuneration	Standard audit approach taken. Our work is complete.
Capital expenditure and financing	Testing not completed due to the link to the related property, plant and equipment balances.
Defined benefit pension scheme	Standard audit approach taken. Our testing is complete. See section 4 where this is detailed further.

Area	Work Completed
Journals	Standard audit approach taken. Our testing is complete. See section 4 where this is detailed further.
Lease disclosures	Standard audit approach taken, except for IFRS 16 disclosures which have not been included in the updated group financial statements. We will test the transition to this new standard as part of our 2025/26 audit work.
HRA	<p>Testing not completed. This is due to changes identified as part of the Cheltenham Borough Homes audit which were required to be processed by management that had not been completed.</p> <p>We plan to build back assurance through testing the 2025/26 transactions and 31 March 2026 balance sheet.</p>
Group (consolidation)	<p>Testing not completed on the consolidation as we have not been provided with Group financial statements to audit. However, we are also the external auditors of Cheltenham Borough Homes and have completed a full audit of the group's only material subsidiary company.</p> <p>The Council equity accounts for their share of the assets and liabilities of Gloucestershire Airport. With the sale of this investment expected to complete shortly, the sales value will give a good level of assurance of the appropriate carrying value of the assets at 31 March 2025.</p> <p>Therefore, we have the ability to build back assurance over this area looking forward.</p>

Other than the areas detailed above, our audit is complete.

Building back assurance over reserves

As highlighted in the table above, the ability to build back assurance over reserves balances is complex. This is a sector wide challenge and as such the regulators and audit firms have been meeting to discuss practical solutions to this problem. There is a sandbox environment for technical leads for the audit firms to discuss potential approaches that could be taken moving forward.

The most straightforward option to build back the assurance would be to perform testing over the transactions in all the disclaimed periods that impact reserves. However, there is not sufficient capacity in the system to complete this work retrospectively and was not the intention of the regulators when the backstop arrangements were put in place.

A bespoke arrangement will need to be tailored for each Council that takes into account the risk of material misstatement for each reserve that will include consideration of:

- The materiality of the reserve balances
- The materiality in the movement in and out of the reserves balances
- The ability to translate a year end reserve balance into a discrete number of auditable items or transactions or whether it is the net of a large number of in-year transactions (like movements on the general fund)
- The consistency in the balances and movement in reserves with other balances in the statement of accounts
- The predictability of the balances and whether some assurance can be provided by analytical procedures

We will set out in greater detail our plan to building back assurance for the Council in our 2025/26 audit plan.






Confidentiality

This document is strictly confidential and although it has been made available to those charged with governance to facilitate discussions, it may not be taken as altering our responsibilities to the Council arising under the Local Audit and Accountability Act 2014 (the Act) and from the Code. The contents of this report should not be disclosed to third parties without our prior written consent.




3. Accounts and audit process

The preparation of the financial statements is a vital process for the management of the Council and one which should be performed on a timely basis. We met with senior officers as part of our planning work to discuss how we would work together to make the audit process effective.

We discussed key accounting issues early, so they could be considered before the audit commenced.

Readiness for audit	
Quality of financial statements	
Accuracy of financial records	
Quality of working papers	
Availability of Staff	

Key (Impact on audit approach)

None or limited impact	
Some impact	
Significant impact	

Readiness for audit

The Council did not publish their Group financial statements by the 30 June 2025 statutory deadline, and the group financial statements were published on 5 March 2026, after the 27 February 2026 backstop date for completing 2024/25 audit work.

The Council published a draft set of Council only financial statements on 22 July 2025. These financial statements were not complete, as they only reflected the Council and not the group, and did not include material adjustments for the year, such as the valuations of property, plant and equipment and investment property, which have adjustments which carry through many balances and notes to the accounts. The omissions were highlighted by management to the audit team.

At the planned start date of the audit, management did not have the capacity to begin to address audit requests and queries, so the audit timetable was delayed, supporting management. As the delayed audit was due to restart in November 2025, the former Section 151 Officer passed away. This required an immediate pause while the Council addressed the operational and governance implications of this loss. The audit resumed in December 2025, but with the capacity in the team reduced it wasn't possible to complete all the necessary work.

These events created unavoidable disruption to the availability of key leaders and individuals within the finance team and delayed the timely provision of information essential to progressing the audit in line with the original timetable.

Quality of financial statements

The initial set of financial statements provided to the audit team was a draft set of Council only accounts which contained material omissions, including the valuation of property, plant and equipment and investment properties. The final unaudited group financial statements have not been published or issued to audit at the date of this report. The absence of key finance personnel as mentioned previously meant that these updated statements could not be produced within the required timeframe.

Accuracy of financial records

For the areas we have been able to test, the majority of the underlying financial records are accurate, agreed to the supporting information provided, and were easy to understand.

Quality of working papers

While the quality of the working papers and supporting evidence provided was generally good, there were some areas where audit evidence provided was not appropriate leading to additional follow up queries being required, and in some cases could not be sampled from, as they did not give the level of detail required or reconcile back to the balances being tested, such as community infrastructure levies, receipts in advance, and housing revenue account transactions.

Changes in the finance team have undoubtedly had an impact on this. We will continue to work with the finance team to improve the process of requesting support, how it is collated and provided, and the resolution of queries to improve the process for the next year. In addition, management has confirmed that for 2025/26 an enhanced internal quality control process will be implemented to address the issues identified in 2024/25. This demonstrates a proactive commitment to strengthening the quality of working papers and supporting information for the 2025/26 audit.

Availability of Staff

The availability of key finance personnel presented a significant challenge throughout the audit. The unexpected passing of the former Section 151 Officer during the process, in a period where the Deputy Section 151 Officer was already on maternity leave, and then further periods of leave by other key members of the team. These key individuals held substantial knowledge and responsibility for the preparation of the financial statements and had been responsible for the coordination of audit queries. This reduced the capacity and ability within the finance team to service the audit process and delayed the Council's ability to respond promptly to audit requests and queries.

4. Audit risks

Significant risks:

Management override of controls (applicable to Group and Council)

Significant Risk

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.

Work done and conclusion

To address this risk, we have:

- reviewed the reasonableness of accounting estimates and critical judgements made by management;
- tested journals with a material impact on the results for the year; and
- considered a sample of other journals with key risk attributes.

In testing journals, we used data analytics tools to interrogate the whole population of journals posted in the year and focus on those with key risk factors.

We have not identified any material errors from our work carried out. However, it is important to note that there were areas of the audit not completed and management override of controls must be part of our approach and considerations in all areas of the audit file.

Valuation of land and buildings (applicable to the Council)

Significant Risk

There is a risk over the valuation of land and buildings due to the high degree of estimation uncertainty, and judgements involved in build valuations.

Work done and conclusion

We set out in our Audit Plan our proposed approach to address this risk. However, given the challenges set out in Section 2, we have been unable to undertake our testing for land and building valuations.

Valuation of investment properties (applicable to the Council)

Significant Risk

There is a risk over the valuation of investment properties 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.

Work done and conclusion

We set out in our Audit Plan our proposed approach to address this risk. However, given the challenges set out in Section 2, we have been unable to undertake our testing of investment property valuations.

Valuation of heritage assets (applicable to the Council)

Significant Risk

There is a risk over the valuation of heritage 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.

Work done and conclusion

We set out in our Audit Plan our proposed approach to address this risk. However, given the challenges set out in Section 2, we have been unable to undertake our testing of heritage asset valuations.

Valuation of the pension fund net liability

Significant Risk

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.

Work done and conclusion

We set out in our Audit Plan our proposed approach to address this risk. However, given the time constraints imposed by the statutory deadline of 28 February 2025, and as set out in Section 2 above, we have been unable to conclude our testing for the valuation of the pension fund net liability.

To address this risk, we have:

- documented our understanding of the processes and controls put in place by management, and evaluate the design of the controls;
- reviewed 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;
- considered the accuracy and completeness of the information provided to the actuary;
- ensured that the disclosures in the financial statements in respect of the pension fund liability are consistent with the actuarial report from the actuary;
- carried 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
- obtained assurances from the auditor of Gloucestershire 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.

Our findings showed the assumptions used are consistent with our expectations and those used by other actuaries at 31 March 2025.

The net pension liability at 31 March 2025 is £18.4m which is a decrease in the liability of £6.0m from the 31 March 2024 liability of £24.8m. The closing balance is inclusive of the liability for unfunded obligations of £0.8m (2023/24: £1.1m).

The change in assumptions used by the actuary has increased the gross position by £38.0m from a net asset of £8.1m to £46.9m, this is offset against the increase arising from the asset ceiling effect, reducing the 2024/25 net pension liability by £65.3m to a similar position to 2023/24.

Valuation of the pension fund net liability

Key assumptions	2023/24	2024/25
Discount rate	4.80%	5.80%
CPI / pension increase assumption	2.80%	2.80%
Salary increases	3.30%	3.30%

Under IFRS, additional guidance is provided in IFRIC 14 on the extent to which a defined benefit pension asset should be recognised. The actuary has produced an asset ceiling report that demonstrates that by following the guidance in IFRIC 14 none of this asset should be recognised and a liability of £18.4m is recognised instead. This adjustment effectively allows for ongoing commitments to contributions to the pension scheme into the future, over and above the expected service charge.

We have received the response from the pension fund auditor. This identified an overstatement of the Pension Fund's net assets. This has resulted in an unadjusted item for the Council's share of the pension scheme assets, see Section 5 for further details.

We have not identified any material errors from our work carried out.

As part of our planning, we 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:

Implementation of IFRS 16 Leases

Other risk

2024/25 was the first year in which local government bodies were required to implement the provisions of IFRS 16 leases.

There is a risk that the Council has not appropriately complied with IFRS 16.

Work done and conclusion

To address this risk, we have:

- Documented 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;
- Reviewed the appropriateness of assumptions used in calculating the estimate;
- Reviewed the completeness and accuracy of the data gathering exercise;
- Confirmed the appropriateness of application of exemptions for existing contracts such as short term and low value leases;
- Reviewed the required transitional disclosures and the application of the adjustment to the opening balances; and,
- Tested a sample of leases for accuracy in calculating the right of use asset and lease liabilities.

Management engaged Grant Thornton to complete a review of the Council's leases impacted by the application of IFRS 16. The review concluded that there was no material impact as all leases where assets were not already recognised on the balance sheet were out of scope of IFRS 16 as they were either low value assets.

We have reviewed the assessment and checked that the assets identified as previously recognised were indeed within the Council's PPE balance for 2023/24 and 2024/25, with no issues noted. We have not performed any further work over the disclosures for these balances as they have not been adopted into the 2024/25 financial statements. We will revisit the adoption of IFRS 16 as part of our 2025/26 audit work.

5. Audit Adjustments

In accordance with the requirements of International Standards on Auditing, we must communicate all adjusted and unadjusted items identified during our audit work, other than those which we believe to be clearly insignificant.

We also note that the initial draft of the financial statements that were published on the Council's website only included the Council's own position and omitted a number of items that required updating for a final unaudited set of group financial statements to be published and subject to the period of public inspection. The key items that were originally excluded and that management have agreed need to be amended for the final accounts include:

- Housing Revenue Account postings where errors have been identified in the 2024/25 Cheltenham Borough Homes, that impacted which costs should be recognised in the HRA in relation to the cut-off of expenditure around the time of transfer back into the Council of the ALMO services.
- The calculation and processing of the adjustments throughout the accounts in relation to the revaluation of property, plant and equipment, investment properties, and heritage assets. These adjustments impact a number of balances and disclosures throughout the financial statements.
- Preparation of consolidated group balances to incorporate Cheltenham Borough Homes and the joint venture investment in the airport.

Misclassifications and adjustments to disclosures

The table below provides details of any misclassification and disclosure changes identified during the audit.

Misclassification/ Disclosure change	Audit comment	Adjusted?
Termination benefits bandings	Per the CIPFA code, disclosure of termination benefits rising up to £100k should be presented in bands of £20k, then rising in bands of £50k. The original disclosure provided to audit was presented in bands of £40k.	Yes
Annual Governance Statement, Section 114 consideration	The CIPFA code requires that the authority give consideration to the risk that a section 114 notice might need to be issued in the near to medium term. This is a new requirement for 2025. The original version provided to audit did not give clear mention to this.	Yes
Pension Fund – Understatement of assets	Following completion of the Pension Fund auditor's work, they reported an overstatement of the Fund's net assets of £2.7m, caused by timing differences in asset valuations. The Council's 5% share of this overstatement equates to £135k. Ordinarily, this would require an adjustment to the net pension liability; however, due to the application of the asset ceiling, the closing balance is unaffected. The Pension Fund auditor completed their procedures after year end, by which point the Council had already prepared its financial statements and pension disclosures based on the actuary's IAS 19 report.	No
Council as lessor – operating leases	We identified that for one lease the Council's lease schedule did not calculate the contractual stepped rents, resulting in an understatement of the minimum lease payments receivable by £5m, due to the 170 years remaining on the lease.	Yes
IFRS 16 adoption	The CIPFA Code adopted IFRS 16 leases for 2024/25. The Council has not applied this new standard due to the delayed timeframes for completion of the financial statements.	No

6. Management letter points and internal control systems

The Council’s management is responsible for the identification, assessment and monitoring of risk, for developing, operating and monitoring the systems of internal control and for providing assurance to the Audit and Standards Committee as ‘Those Charged with Governance’ that it has done so.

In accordance with the terms of our engagement we have not provided a comprehensive statement of all issues which may exist in the accounting and internal control systems or of all improvements which may be made, but outline below our observations arising from the audit; none of which are considered significant.

KEY:



Observations refer to issues that are so fundamental to the system of internal control that management should address immediately to minimise the risk of a material misstatement within the financial statements.



Observations refer mainly to issues that have an important effect on the system of internal control and, if left uncorrected could potentially lead to a material misstatement within the financial statements.




Observations refer to issues that would, if corrected, improve internal control in general and engender good practice, but is unlikely to have a material impact on the financial statements.


Current Year Issues


Production of the year-end financial statements	
<p>The Council’s 2024/25 group financial statements were not published by the 30 June 2025 statutory deadline, and have not been published at the date of this report. The Council did publish draft financial statements, although as previously noted these had some significant omissions, including adjustments for the HRA identified as part of the 2024/25 CBC audit, calculating and processing the valuation entries, and the completion of group consolidated balances required for the group financial statements.</p> <p>We note that there were capacity pressures on the finance team during 2024/25 which significantly contributed to the delays, with Cheltenham Borough Homes being brought in-house, changes at Publica and several significant projects that required senior finance team input such as the Golden Valley project and some key asset disposals.</p>	<p><u>Recommendation</u></p> <p>We recognise that additional resource has been brought into the finance team post year end to help stabilise the situation and enable resource to be created to produce the final consolidated financial statements for 2024/25.</p> <p>We recommend that management continue to monitor the capacity of the team through this period of stabilisation and ensure that there is no significant deterioration in the core financial control environment and an appropriate level of oversight and segregation of duties is maintained.</p> <p><u>Management comment</u></p> <p>It is recognised that whilst additional capacity has been brought into the team, it is important to ensure that this continues to be monitored including ensuring that new members of the team are sufficiently supported and trained. A plan for completion of 25/26 accounts including the capacity to do so will be formulated and any gaps in capacity or skills identified and dealt with.</p>


Balance sheet control reconciliation	
	
<p>We have noted a number of areas where we did not receive suitable breakdowns of the year end balances, such as community infrastructure levies, and therefore have not been able to sample the closing balance appropriately.</p> <p>In such cases, we have often only been able to access transaction listings showing debits and credits going in and out of the balance sheet account.</p>	<p>Recommendation Management should complete regular balance sheet reconciliations to ensure that there is visibility over the items that are in the account that make up the balance. This allows management to review and check that all balances still appear to be valid and accurate.</p> <p>Management comment As part of the review of capacity and skills, a plan for regular balance sheet control reconciliation will be identified and completion monitored going forwards.</p>

IFRS 16 Adoption	
	
<p>Management engaged Grant Thornton to complete a review of the Council's leases impacted by the application of IFRS 16. The review concluded that there was no material impact as all leases where assets were not already recognised on the balance sheet were out of scope of IFRS 16 as they were low value assets.</p> <p>Due to the timeframes for preparation, management did not adopt the requirements of IFRS 16, and omitted the required disclosures as prescribed by the code on adoption of IFRS 16 in 2024/25.</p>	<p>Recommendation Management should review the requirements of the code in relation to IFRS 16, accounting for their leases in line with IFRS 16 as adopted by the CIPFA code, and preparing and presenting the relevant disclosures in the financial statements.</p> <p>Management comment Management will address this as part of 25/26 accounts preparation.</p>

Prior Year Issues – Unresolved

Payroll/HR Documentation	
2023/24: 	
<p><u>Original 2023/24 Finding</u> Our review of the payroll testing identified that there were three employees for whom signed up-to-date contracts could not be provided.</p> <p><u>2024/25 Update</u> We sampled 20 employees. Contracts have not been provided for 2 employees.</p>	<p><u>Original 2023/24 Recommendation</u> We recommend that management ensures strong procedures are in place for maintaining appropriate HR documentation.</p> <p><u>Original 2023/24 Management comment</u> Our HR and payroll teams will ensure that all future contracts are returned and filed within their systems.</p> <p><u>2024/25 Recommendation</u> Our original recommendation is ongoing.</p> <p><u>2024/25 Management comment</u> Our HR and payroll teams will ensure that all future contracts are returned and filed within their systems.</p>

Review of the bad debt provision	
2023/24: 	
<p><u>Original 2023/24 Finding</u> Our review of the bad debt provision identified that there is no information to support the percentage of debts provided for.</p> <p><u>2024/25 Update</u> Our testing has not identified any change in the processes at the Council.</p>	<p><u>Original 2023/24 Recommendation</u> We recommend that management review the methodology for calculating the bad debt provision and use a percentage that is based on actual historic write-off levels.</p> <p><u>Original 2023/24 Management comment</u> The numerical value and number of bad debt write-offs processed each year is extremely low. Our methodology of using management judgement to determine a percentage provision against each category of debt is deemed to be a more prudent approach.</p> <p><u>2024/25 Recommendation</u> Our original recommendation remains ongoing.</p> <p><u>2024/25 Management comment</u> The Bad Debt Provision assumptions will be considered as part of closedown for 25/26.</p>

Implementation of the asset ceiling on the pension fund net liability	
<p>2023/24:  2024/25: Resolved</p>	
<p><u>2023/24 Original finding</u> We reviewed the asset ceiling report provided by the actuary in respect of the net asset (before any adjustments) of £9.170m. This report detailed that there is an additional liability to recognise and an adjustment of £32.918m is required to the net asset/liability for the effect of the asset ceiling, which would leave a net liability of £23.748m.</p> <p>In addition, as is detailed within the asset ceiling report, the asset ceiling calculations do not take account of any of the Employer's unfunded benefits. The unfunded liability of £1.084m should have been included as a liability.</p> <p>Management amended the financial statements for this issue.</p> <p><u>2024/25 Update</u> The Council has obtained the asset ceiling report and have accounted for the net pension liability resulting from the asset ceiling correctly.</p> <p>We consider this recommendation suitably addressed.</p>	<p><u>Original 2023/24 Recommendation</u> As part of the accounts compilation process for 2024/25, management should ensure that they understand the reports from the actuary and apply the recommended treatment.</p> <p><u>Original 2023/24 Management comment</u> This was the first year in which an asset ceiling report was requested in response to the net pension liability in the actuary report being calculated as positive, meaning the accounting treatment of the balance needed to be assessed. The 2024/25 asset ceiling report has already been requested from the actuary as part of the preparation for the closedown and accounts preparation process.</p>

7. Other matters

Other information

We are required to give an opinion on whether the other information published with the audited financial statements (for example, the Narrative Statement and Annual Governance Statement) is materially inconsistent with the financial statement or our knowledge as obtained during the audit.

We have nothing to report in this respect.

Reporting by exception

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.

We have nothing to report on these matters.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

Going concern

Our work has not identified a material uncertainty related to going concern. We are satisfied that management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Value for money arrangements

We are 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 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.

We asked management to complete an evidenced self-assessment of the Council’s arrangements. We have received partial responses from this and are waiting on management to provide responses to our outstanding queries. We have reviewed the evidence provided so far and carried out follow-up work as appropriate to consider whether there are any significant weaknesses in the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources.

We identified a significant weakness in the Authority's arrangements for producing 'true and fair' financial statements on a timely basis. The Council did not produce the full 2024/25 group financial statements before the 30 June 2025 statutory deadline, instead producing them on 5 March 2026, also after the 27 February 2026 backstop date being set by the Ministry of Housing, Communities and Local Government.

The results of the Value for Money work are reported separately in our Auditor's Annual Report.

Whole of Government accounts work

Alongside our work on the financial statements, we also review and report to the National Audit Office on the Council's Whole of Government Accounts (WGA) return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have not yet completed the limited procedures required in the National Audit Office's group instructions in respect of our work on the Council's WGA submission. This will be done alongside issuing the audit opinion on the Council's accounts.

Audit certificate

At the end of the audit, as auditors, we are required to certify the completion of the audit. The effect of this certificate is to close the audit and marks the point when the auditor's responsibilities in respect of the audit of the period covered by the certificate have been discharged.

We will be unable to issue our audit certificate alongside the auditor's opinion on the accounts until we have received confirmation from the NAO that no additional work (beyond submission of the Assurance Statement) will be required in respect of the Whole of Government Accounts exercise.

Audit fees

Our final fee for the 2024/25 audit is set out below:

	Fee proposed at planning stage (£)	Final fee (subject to approval by PSAA) (£)
PSAA scale fee 2024/25	170,744	170,744
<i>Fee variations:</i>		
Review of implementation of IFRS 16	TBC	TBC*
VFM significant weakness: delayed production of financial statements		TBC*
Total (excluding VAT)	TBC	TBC

*Figures are subject to final confirmation on completion of work.

We can confirm that we have not undertaken any non-audit work at the Council during the year.

Appendices



1. Required communications with the Audit and Standards Committee

Under the auditing standards, there are certain communications that we must provide to the Audit and Standards 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: <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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 and Standards Committees
Significant matters arising during the audit in connection with the entity's related parties.	Audit Completion Report
Significant findings from the audit including: <ul style="list-style-type: none"> 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 and Standards 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



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External Audit Plan Cheltenham Borough Council

For the year ended 31 March 2026



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2. Sector updates

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 2025/26 External Audit Plan now to ensure that there is timely discussion of the key areas of focus.



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 the Council 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 2025/26; 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.

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 2026. The Code 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 Public Sector Audit Appointments' Statement of Responsibilities of auditors and audited bodies as 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 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 auditor's 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.

As you will be aware, our auditor's report was disclaimed in 2024/25. Further detail on this is shown later in the Audit Plan. The form and content of our auditor's report will therefore need to be amended in light of this and any 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 and the subsequent Addendum published in May 2025 – see Page 17 for more detail on the Addendum; or

- we issue a report in the public interest under section 23 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 the Audit, Compliance and Governance Committee. 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 This equates to £1,900,000 for the Council and £1,905,000 for the Group.

**Based on the 2024/25 accounts. We will update our materiality on receipt of the 2025/26 unaudited financial statements, published for public inspection.*

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
<p>Management override of controls (required under the ISAs)</p> <p><i>Applicable to the Group and Council</i></p>	<p>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:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>
<p>Valuation of land and buildings (and Council dwellings)</p> <p><i>There are a number of changes required to local authority financial statements as a result of CIPFA/LASAAC having regard to HM Treasury's Thematic Review on Non-investment Assets. Further detail is set out in our Sector Update at the back of this Plan. Our audit approach has been updated to reflect these changes.</i></p> <p><i>Applicable to the Council</i></p>	<p>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:</p> <ul style="list-style-type: none"> • Hold early discussions with key officers within the Council to ascertain how the Code changes required are being implemented and whether proposed actions are in line with the guidance; • 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; • 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;

Risk	Audit Approach
	<ul style="list-style-type: none"> • 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; • For assets not formally revalued in the year, review the indices selected by the Council to ensure they are: <ul style="list-style-type: none"> ○ verifiable; ○ relevant to the asset type and the location of the asset; and ○ appropriate for 31 March; • Consider whether indices have been applied to carrying amounts in accordance with the requirements of the Code, that the selection of accounting policies is reasonable and appropriate to the Council's circumstances and that accounting treatments have been applied consistently across asset types.
<p>Valuation of investment properties</p> <p><i>Applicable to the Council</i></p>	<p>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:</p> <ul style="list-style-type: none"> • 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.
<p>Valuation of heritage assets</p> <p><i>Applicable to the Council</i></p>	<p>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:</p> <ul style="list-style-type: none"> • 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 (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.

Risk	Audit Approach
<p>Valuation of the pension fund net liability</p> <p><i>Applicable to the Group and Council</i></p>	<p>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:</p> <ul style="list-style-type: none"> • 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; • 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 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 2025/26 audit, we have included an 'other risk' relating to the implementation of IFRS 16 Leases.

Risk	Audit Approach
<p>Implementation of IFRS 16 Leases</p>	<p>2024/25 was the first year in which local government bodies are required to implement the provisions of IFRS 16 leases. As reported in our 2024/25 Audit Completion Report, although the Council had completed some work on the impact of the new standard this was not finalised before publication of the final 2024/25 financial statements. As a result, no amendments or disclosures were made in relation to the transition to the new standard.</p> <p>We understand that the intention is that management will conclude the exercise to calculate any amendments required in time for this to be fully adopted in the 2025/26 financial statements.</p> <p>This risk was included in the 2024/25 audit plan, but has been repeated due to the delayed full implementation.</p> <p>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.</p> <p>To address this risk, we will:</p> <ul style="list-style-type: none"> • 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;

Risk	Audit Approach
	<ul style="list-style-type: none"> • 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.

Building back assurance

In our 2024/25 Audit Completion Report we highlighted that it had not been possible for us to complete all our planned work for the 2024/25 audit by the statutory backstop date. This was due in part to historical issues:

- The 2022/23 accounts were not audited by the previous appointed audit firm, which meant that we were unable to place reliance on the opening balances for 2023/24 or give an opinion on the in-year movements which depend on those balances.
- We were unable to complete all our planned procedures for the 2023/24 audit due to the tight timeframe between the 2022/23 disclaimed audit opinion being provided in December 2024 and the backstop deadline of 28 February 2025.
- The 2024/25 group financial statements were not finalised by the Council until 5 March 2026, after the 27 February 2026 backstop date, and the original version provided to audit included material omissions such as the full year valuation of property, plant and equipment. There have also been significant challenges impacting the finance team's ability and capacity to support the audit process.

We included in our 2024/25 Audit Completion Report details of the areas we were able to complete our work over.

We have been developing our approach to building back assurance over the Council's financial statements, with the plan being to get to an unqualified audit opinion as soon as possible. Management are confident that sufficient resource is now in place in the finance team to support a full audit for 2025/26 alongside some work to build back assurance.

Our approach is being developed in accordance with the National Audit Office Local Audit Reset and Recovery Implementation Guidance (LARRIG), in particular *LARRIG 05 – Rebuilding of assurance following a disclaimed audit opinion* and *LARRIG 06 – Special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinions*. The approach is in three phases:

Phase 1	<p>An initial risk assessment plan for building back assurance. This focuses on:</p> <ul style="list-style-type: none"> • Reasons for the initial disclaimed opinion and any emerging risks • Changes in the system of internal control since the last unqualified opinion including consideration of the outcomes of internal audit work • Any issues noted from our VFM work <p>The outcome from this is our overall risk assessment for the audit and informs our materiality level and quantum of work needed to regain assurance.</p>
Phase 2	<p>A more in-depth risk assessment process using a bespoke, internally created methodology on an audit-by-audit basis to ascertain the appropriate risk-based approach for building back assurance on each area of the accounts where we do not have appropriate audit evidence.</p>
Phase 3	<p>Undertaking the detailed work as concluded upon in Phase 2.</p>

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In the table below we have set out our plan to get to an unqualified opinion for Cheltenham Borough Council in 2027/28. This is consistent with the illustrative timescale set out in *LARRIG 01 – General arrangements supporting guidance for auditors in implementing the reset and recovery*:

2023/24	2024/25	2025/26	2026/27
Opinion: Disclaimed	Planned opinion: Disclaimed	Planned opinion: Disclaimed	Planned opinion: Qualified
Audit work carried out: Work was started on the majority of areas in the financial statements. However, the tight timeframe between the 2022/23 audit being signed off and the backstop deadline of 28 February 2025 meant that we were unable to conclude on several areas.	Audit work carried out: Work was started on the majority of areas in the financial statements. However, due to the delay in the production of the group financial statements until after the statutory backstop date, the original financial statements provided to audit had material omissions, and challenges impacting the finance team's ability and capacity to support the audit process, we were unable to conclude on several areas.	Audit work planned: All audit procedures over the year end balances, in year CIES transactions, and disclosures.	Audit work planned: All audit procedures.
Build back work: Initial build back planning, including analytical procedures on 2022/23 balances, and developing the plan to build back assurance.	Build back work: Meetings with external bodies e.g. the National Audit Office, internal discussions on audit approach with colleagues (including technical leads) and other firms.	Planned build back work: Phase 1 and Phase 2 as described above.	Planned build back work: Phase 3 as described above.
Areas with no assurance: <ul style="list-style-type: none"> • 2022/23 Balance Sheet closing balances • Reserve balances 	Areas with no assurance: <ul style="list-style-type: none"> • 2023/24 opening balances • Reserve balances • Property, Plant and Equipment and Investment Property valuations. 	Planned areas with no assurance: <ul style="list-style-type: none"> • 2024/25 opening balances • Reserve balances 	Planned areas with no assurance: Lack of sufficient, appropriate evidence over comparative figures, due to previous disclaimed opinions, but the potential effects on the final statements are not deemed to be pervasive.

We will report back to you, as part of our Audit Completion Report, on the outcome of our work addressing the significant risk areas and progress on rebuilding assurance.

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 has identified the following risk of sign

- Governance arrangements for the production of the financial statements in line with statutory requirements and deadlines. This was identified as a significant weakness in our 2024/25 Auditor's Annual Report due to the delay in the production of the 2024/25 group financial statements, being completed after the 27 February 2026 backstop date.

Our planning work is ongoing, due to the delayed finish of the 2024/25 audit. 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 2024/25 Audit Completion Report and our 2024/25 Auditor's Annual Report.

2. The Audit Team

Key Audit Partner: Nathan Coughlin
Email: ncoughlin@bishopfleming.co.uk

Manager: Jonathan Saunders
Email: jonathan.saunders@bishopfleming.co.uk

3. Timetable

We have held an initial planning meeting with management. Based on this, we have agreed a timetable for the 2025/26 audit work. A summary audit timetable has been included below:

Cheltenham Borough Council YEAR END: 31 March 2026			
Date	Requirement	Bishop Fleming	Council
Throughout 2026	Regular liaison meetings with management and the Chair of Audit, Compliance and Governance Committee	✓	✓
April 2026	Planning procedures, examining systems and controls in place	✓	✓
23 April 2026	Presentation of this Audit Plan to the Audit, Compliance and Governance Committee by Bishop Fleming	✓	
w/c 11 May 2026	Date for issue of audit deliverables and VFM self-assessment	✓	
30 June 2026	Date for receipt of the draft financial statements		✓
17 July 2026	Date for receipt of audit deliverables		✓
w/c 20 July 2026	Audit sampling of balances and transactions.	✓	
31 July 2026	Date for receipt of VFM self-assessment from management		✓
August 2026	Audit team to undertake VFM work and initial fieldwork testing over sampled balances.	✓	
October 2026 November 2026	Audit fieldwork to be undertaken, completing work on significant risk areas and other material balances.	✓	✓
w/c 16 November 2026	Audit completion meeting to discuss draft Audit Completion Report	✓	✓
TBC	Presentation of Audit Completion Report and Auditor's Annual Report to those charged with governance (Audit Compliance and Governance Committee)	✓	
31 January 2027	Backstop date for 2025/26 local government audits	✓	✓

4. Audit Fees

Cheltenham Borough Council, in line with most other local government bodies, opted into the national scheme run by 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:

	2025/26
PSAA scale fee	£175,524
Proposed fee variations at the planning stage:	
Variation 1 – Build back work as detailed on Page 8	TBC
Variation 2 – Additional procedures over VFM risk of significant weakness	TBC
Variation 3 – Additional procedures over implementation and disclosure of IFRS 16 leases	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 will monitor the position in relation to any issues that could potentially give rise to a fee variation and discuss them with the 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: <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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. Sector updates

Key changes to the Code of Practice on local authority accounting in the United Kingdom 2025/26

Valuation of Property, Plant and Equipment

There are a number of changes required to local authority financial statements as a result of CIPFA/LASAAC having regard to HM Treasury's Thematic Review on Non-investment Assets. The main changes are:

- o A revaluation expedient for property, plant and equipment, requiring valuations once every five years or on a five-year rolling basis and supported by indexation in intervening years. Alternatively, a desktop valuation in year three in rare cases where no index is available;
- o Intangible assets to be held at historical cost only;
- o Transitional arrangements when applying these changes so they will be applied prospectively, with no restatement of prior year figures;
- o To assist authorities, an existing adaptation has been removed to allow both options permitted by IAS 16 for the treatment of accumulated depreciation when assets are revalued. This aligns with existing arrangements in the FreM; and
- o A clarification to ensure that undertaking a full revaluation should not be a default process to demonstrate there has not been a material impairment of an asset and to comply with IAS 36 (impairment of assets).

Guidance is set out in [CIPFA Bulletin 22 Indexation application guidance](#).

Annual Governance Statement

Following the publication of [Delivering Good Governance in Local Government: addendum / Solace covering the annual review of governance and the annual governance statement \(2025\)](#), the content of the annual governance statement (AGS) has changed. Local authorities should refer to the addendum for full details; however, the AGS should contain the following elements:

- An executive summary, including an overall opinion on whether governance arrangements were fit for purpose;
- An assessment of effectiveness, setting out how the overall opinion was arrived at;
- Where governance needs to improve, including an action plan;
- How governance has been improved over the current financial year; and
- A forward look on governance.

Revised guidance on minimum revenue provision

Under the Prudential Framework (the "Framework"), local authorities have wide freedoms to borrow and invest without seeking the government's prior approval.

The duty to make Minimum Revenue Provision ("MRP") is an important component of the Framework. Where local authorities finance capital expenditure with debt, they must set aside an amount of money each year to ensure that debt can be repaid ensuring that local authorities do not take on more debt than they can afford. Therefore, in deciding whether any capital expenditure is affordable, an authority must consider whether it can meet the cost of the associated MRP charged within an affordable budget. The amount of MRP should be determined with respect to a local authority's Capital Financing Requirement ("CFR").

Local authorities are required to charge MRP to their revenue account in each financial year in respect of all capital expenditure financed by debt. Before 2008, the 2003 Regulations contained details of the method that local authorities were required to use when calculating MRP. This has been replaced by the current regulation 28, which

gives local authorities flexibility in how they calculate the amount is 'prudent'. In calculating a prudent provision, local authorities are required to have regard to this guidance.

The 2003 Regulations were further amended with full effect from [April 2025](#) to expressly provide that in determining a prudent provision, local authorities cannot exclude any amount of CFR from its calculation, unless by an exception set out in statute. Further, that capital receipts cannot be used to directly replace, in whole or part, the prudent charge to revenue. Specific exceptions were introduced for capital loans, alongside appropriate risk mitigations. These measures were taken to strengthen compliance with the duty to make MRP.

Local authorities must comply with the duty to make MRP and failure to do so, through under-charging of MRP, creates risk to the authority, the finance system and to local and national taxpayers. Under-provision can result in a local authority being unable to repay a proportion of its debt, passing the liability to future taxpayers, which will need to be met from capital receipts or accelerated MRP payments. Further, if a prudent charge is not made, then this can also encourage the local authority to take on greater levels of debt than might otherwise be affordable. The duty to charge MRP is an important mechanism in the Framework to constrain risk and ensure the affordability of capital expenditure.

The guidance in full can be found on [Capital finance: guidance on minimum revenue provision \(5th edition\) - GOV.UK](#).

English Devolution and Community Empowerment Bill

In last year's Audit Plan we outlined the Government's proposals around devolution and Local Government reorganisation which were set out in the English Devolution White Paper published in December 2024.

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 allowed for other options, these Strategic Authorities were intended to be partnerships of multiple local authorities across a large geography with their own Mayor. These Strategic Authorities would be given "areas of competence" such as performing functions in transport and local infrastructure and skills and employment support and empowered to deliver on them.

Since then the Government has drafted the English Devolution and Community Empowerment Bill which is currently going through Parliament. Alongside the changes outlined above, provisions within the Bill will also enable the establishment of a new public body, the Local Audit Office (LAO), to oversee the local audit system. These provisions set statutory objectives for the LAO and prescribe key elements of its governance processes and structures. The LAO's functions will include setting fees, appointment of auditors to eligible bodies, setting the code of audit practice and overseeing a regulatory framework.

In concert with the Devolution Framework, the White Paper also announced a significant programme of Local Government Reorganisation with an end to the remaining two-tier areas, resulting in all local authorities reorganised into unitary councils.

The Local Government and Public Involvement in Health Act 2007 (the 2007 Act) provides the statutory process for making structural changes to councils. The following paragraphs explain how this process works with specific reference to the invitation to all councils in two-tier areas (and small neighbouring unitary authorities) to develop proposals for unitary local government. Broadly, the stages are:

1. **Stage one: Inviting unitary proposals.** Invitations went to the 21 two-tier areas and their neighbouring small unitary authorities and included statutory guidance pursuant to the 2007 Act, specifying criteria for establishing new unitary authorities and matters that should be taken into account.
2. **Stage two: Submission of formal unitary proposals.** Each council could only make one formal proposal for unitary local government, and a proposal could either be submitted individually by a council or jointly with other councils that were invited. The Secretary of State could decide to take forward proposals that are submitted by areas with or without modification.
3. **Stage three: Statutory consultation.** The Government will carry out a statutory consultation in accordance with the requirements of the legislation, which is that the Secretary of State must first consult any council affected that has not submitted the proposal, as well as any other persons considered appropriate, before a proposal can be implemented.

4. **Stage four: Decision to implement a proposal** Statutory consultation is concluded, Ministers will decide, subject to Parliamentary approval, which, if any, proposal is to be implemented, with or without modification. In taking these decisions, Ministers will judge proposals in the round against the criteria. In making a decision, Ministers will have regard to all the representations that were received, including the consultation responses, and any other relevant information available. The decision taken will be subject to collective agreement across Government.

5. **Stage five: Making secondary legislation – the Structural Changes Order (SCO).** Once a decision is taken on which proposal to implement, the Ministry for Housing, Communities and Local Government (MHCLG) will prepare the necessary legislation (the SCO) for Parliamentary approval. The SCO establishes the new single tier of local government in the relevant area and makes provision to abolish the predecessor councils. MHCLG will work with the current councils during the preparation of the legislation, seeking input on specific matters which might include names of the new councils, transitional arrangements and electoral arrangements:

a. **The Order:** will specify arrangements for the first elections for the new unitary council/s, councillor numbers, the functions the new council has in the transition period and establish suitable governance arrangements for the transition period before new councils go live, by giving powers to the relevant executive or joint committee overseeing the transition.

b. **Elections:** Typically, the first elections to new unitary councils take place on electoral arrangements specified in the SCO, and which are built using a mixture of existing wards, divisions or, in some cases, parishes.

c. **Transition period arrangements:** The SCO will specify the governance arrangements for the new unitary councils in the transition period i.e. what sort of transition body will be in place during the transition period until predecessor councils are abolished and new unitary councils go live.

6. **Stage six: Transition period.** Once the SCO has been made, the existing councils carry on delivering services and fulfilling their duties until vesting day, while preparing to transfer all assets, functions and staff on vesting day when the predecessor councils are dissolved and the new unitary authority takes on the legal duties and powers for providing local government to the area.

7. **Stage seven: New unitary authority goes live.** This is vesting day. While preparatory work may start with the development of proposals and continue through the process, a minimum of around a year is allowed to enable safe and legal transfer of key services from the point the legislation is made, to when the new unitary council/s goes live. Elections to the new unitary councils, in the transition year ahead of vesting day, aid a safe and legal transition by ensuring those who will be responsible for governing the new authority/ies are accountable for decisions on transition arrangements.

Final proposals were submitted at the end of November 2025. On 5 February, a written ministerial statement was made to Parliament about the statutory consultations on proposals for unitary local government made by councils in 14 areas. Details can be found on [Local government reorganisation: Policy and programme updates - GOV.UK](#)

Following these consultations, decisions on which proposal to implement could be announced before the summer recess. Secondary legislation would then be prepared, to be laid in the House after the summer recess. The legislation could then be made, subject to Parliamentary approval. This would allow for elections to the new unitary authorities on 6 May 2027. The new authorities would then go live on 1 April 2028.

Local audit reform and the local audit backstop

The local audit system has faced a significant backlog of outstanding unaudited accounts at local authorities (and some other local bodies including police, fire and national parks authorities), covering multiple financial years. Just one per cent of these bodies published audited accounts for 2022/23 by the original deadline. The audit backlog was also the key factor in the Comptroller and Auditor General's decision to issue disclaimed opinions on the Whole of Government Accounts for financial 2022/23 and 2023/24.

In 2024, the Government introduced a local audit backstop programme, structured around six publication dates for audited accounts, to clear the backlog and enable a greater focus on recent accounts, setting in motion the reestablishment of discipline required for the timely publication of both unaudited and audited accounts.

While the backstops have also resulted in many c opinions, auditors' other statutory duties – including to report on value for money arrangements, to make statutory recommendations and issue Public Interest Reports – remain a high priority.

For the next three years, the statutory publication date for unaudited accounts will be 30 June, while the planned backstop dates are:

- 2025/26: 31 January 2027
- 2026/27: 30 November 2027
- 2027/28: 30 November 2028.

In the interests of transparency, the Government committed to publishing a non-compliance list of local bodies failing to publish audited accounts by the backstop dates. See [Addressing the local audit backlog in England: Non-compliance lists](#).

Given the large number of disclaimed opinions, the backstops were announced alongside a five-year programme for building back assurance, with an aspiration that local audit recovers as soon as possible within that period. The Government continues to work with local bodies and audit firms to achieve this aim, and is considering what further measures may be necessary to support the process.

The Government has written to all audit firms and to all local bodies in the process of rebuilding assurance to underline the need for everyone to work together to accelerate progress and prioritise resources accordingly.



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Cheltenham Borough Council

Audit, Compliance & Governance – 22 April 2026

Internal Audit Plan 2026-27 and Internal Audit

Charter and Mandate 2026-27

Accountable member:

Councillor Peter Jefferies, Cabinet Member for Finance & Assets

Accountable officer:

Adele Taylor, Chief Finance 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.

Recommendations: that Audit, Compliance and Governance Committee:

1. approves the Proposed 2026/27 Internal Audit Plan and the Internal Audit Charter & Mandate 2026/27.

1. Implications

1.1 Financial, Property and Asset implications

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

Signed off by: Adele Taylor, Chief Finance Officer
Adele.Taylor@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: Legal Services, 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:

- Key priority 1: Securing our future
- Key priority 2: Quality homes, safe and strong communities
- Key priority 3: Reducing carbon, achieving council net zero, creating biodiversity
- Key priority 4: Reducing inequalities, supporting better outcomes
- Key priority 5: Taking care of your money

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 Section 151 Officer. New and emerging risks are discussed, and the impact of the recommendations made by Internal Audit are discussed.

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 2026/27 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 2026/27 as developed throughout January and February 2026 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 2026/27

Appendix B – Internal Audit Charter and Mandate

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Cheltenham Borough Council

Proposed Internal Audit Plan 2026/27

The internal audit plan represents a summary of the proposed audit coverage that the internal audit team will deliver throughout the 2026/27 financial year.

Introduction and Objective of the Audit Plan

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

Prior to the start of each financial year, SWAP, in conjunction with senior management, put together a proposed plan of audit work. The objective of our planning process and subsequent plan is to put us in a position to provide a well-informed and comprehensive annual audit opinion, based on sufficient and appropriate coverage of key business objectives, associated risks, and risk management processes.

The outcomes of each of the audits in our planned programme of work, will provide senior management and Members with assurance that the current risks faced by the Authority in these areas are adequately controlled and managed.

When reviewing the proposed internal audit plan (as set out in Appendix 1), key questions to consider include:

- Are the areas selected for coverage this coming year appropriate?
- Does the internal audit plan cover the organisation's key risks as they are recognised by the Senior Management Team and Audit Committee?
- Is sufficient assurance being received within our annual plan to monitor the organisation's risk profile effectively?

Internal Audit Planning 2026/27

The proposed 2026/27 plan presented in Appendix 1 provides coverage of the Authority's key corporate objectives and risks as well as core areas of recommended coverage.

Internal audit is only one source of assurance and should be considered as such.

Update to Approach

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 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.

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 review of the Authority's risk register will be considered in this process. Our 2026/27 audit plan will contain 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.

The proposed audit plan at Appendix 1 provides coverage of the Authority's key principles, which support the corporate priorities, and strategic risks, as well as our core areas of recommended audit activity. In addition, due to services returning to the Authority, the audit plan identifies areas where audit activity will be split and assurance offered for each element, for example, payroll, strategic finance.

When compiling the audit plan Internal Audit has identified the human and technological resources necessary to complete the plan, in accordance with the fee paid by the Council.

Internal audit coverage can never be absolute and responsibility for risk management, governance and internal control arrangements will always remain fully with management. Internal audit cannot provide complete assurance over any area, and equally cannot provide any guarantee against material errors, loss or fraud.

Our documented risk assessment helps to ensure that sufficient and appropriate areas are identified for consideration in our internal audit programme of work.

As above, it is the responsibility of the Authority's Senior Leadership Team, and the Audit committee to ensure that, with consideration of our risk assessment, the overall programme of work throughout the year contains sufficient and appropriate coverage.

Internal Audit Risk Assessment (updated)

Our 2026/27 internal audit programme of work is based on a documented risk assessment, which SWAP will revisit regularly, but at least annually. The input of senior management as well as review of the Authority's risk register has been considered in this process.

Below we have set out a summary of the outcomes of the risk assessment for Cheltenham Borough Council



The Global Internal Audit Standards Standard 9.2 requires auditors to develop and implement an Internal Audit Strategy. The Strategy should set the medium-term direction for internal audit, support organisational objectives and align with Audit Committee and senior management expectations. It should set out:

- The service’s vision
- Its strategic objectives and
- Initiatives for how the objectives will be achieved.

The Strategy is distinct from the Annual Plan, which covers a shorter period and specific engagements supporting the Annual Opinion.

How SWAP Addresses the Strategy Requirement

SWAP's [Five-Year Business Plan \(2025-2030\)](#) satisfies the Standards requirement for an Internal Audit Strategy. This plan outlines our strategic vision and details how we intend to develop and provide internal audit and assurance services throughout the five-year timeframe, including key objectives and the initiatives necessary to accomplish them. The Business Plan received unanimous approval from our Owner-Partners in December 2025.

Alignment to Cheltenham Borough Council’s Strategic Objectives

We designed our Business Plan around partner priorities and risks. In general, the Business Plan supports delivery of strategic objectives by aligning audit coverage, insight and capability to those priorities, for example:

Anticipatory Service Offer	Aligns assurance to cyber growth, housing landlord duties, net zero, inequalities and financial resilience
Data-Driven Decisions	Strengthens evidence and reporting to track priority outcomes, performance indicators and value for money decisions
Standards-Conforming Work	Consistent, defensible assurance over housing compliance, community safety, climate governance and financial controls
Well-Governed Controls	Assurance that controls support safe landlord services, regeneration delivery, procurement, grants and budget discipline
LGR Support	Assurance and advice on transition governance, risk, interim controls, data migration and continuity ahead of April 2028 changes

Monitoring the Business Plan

We monitor Business Plan delivery through SWAP’s governance. Oversight by an Executive Leadership team led by SWAP’s Chief Executive, regular reporting and challenge by our Board and biannual Owners’ meetings including representatives from every Partner organisation to review progress and agree material updates.

Core Audit Areas – Areas of Coverage and Brief Scope	Directorate	Link to Council Corporate Risk	Link to Council Priority
Core Financial Processes <ul style="list-style-type: none"> • Main Accounting/Budgetary Control • Bank Reconciliation • Treasury Management • Payroll 	Finance & Operations	160	Key System - All
Core Financials – Publica Controls and Transactional Testing <i>A review of the controls operating within Publica in respect of the Core Financial systems:</i> <ul style="list-style-type: none"> • Payroll • Bank Reconciliation • Procurement 	Publica Business Services	160	Key System - All
Human Resources <ul style="list-style-type: none"> • Human Resources – Manual Pay Calculations 	Corporate Services		Key System - All
Revenues and Benefits <i>A review of the controls operating in respect of:</i> <ul style="list-style-type: none"> • Council Tax • National Non-Domestic Rates • Housing Benefit and Council Tax Support <i>Scope to be confirmed</i>	Finance & Operations	160	Key System - All
ICT Audits <i>Audits to be discussed and confirmed with the Chief Technology Officer and ICT Audit and Compliance Manager</i>	ICT	157	Key System - All
Regulatory Services <ul style="list-style-type: none"> • Food Safety 	Finance & Operations		
Housing Services Compliance <i>A review of controls operating in respect of 3 of the 6 compliance areas – Fire Safety, Asbestos and Water. Damp, mould and condensation (Awaabs Law)</i> (Reviews of Gas Safety, Lift Maintenance and Electrical Safety will be undertaken in 2026/27)	Governance, Housing and Communities	195	Quality homes, safe and strong communities

Proposed Audit Areas – Areas of Coverage and Brief Scope			
Governance <ul style="list-style-type: none"> Health and Safety Safeguarding Adults and Children Complaints 	Governance, Housing and Communities		Reducing inequalities, supporting better outcomes
Community Grants <ul style="list-style-type: none"> Review of discretionary spend 	Governance, Housing and Communities		Taking care of your money
Housing <ul style="list-style-type: none"> Rent Management – Collection / Reconciliation Housing Repairs – Data Validity 	Governance, Housing and Communities	195	Quality homes, safe and strong communities
Cultural Services <ul style="list-style-type: none"> Health and Safety – Assurance review of Building Compliance 	Health and Safety	142	Securing our Future
Cemeteries and Crematoria <ul style="list-style-type: none"> Operational Review – Health and Safety, processes 	Finance & Operations		
Follow-Up Audits (Advisory and Limited Assurance) Voids Process Follow-Up of 2025/26 Audit Recharging Mechanisms and Section 20 Process Follow-Up of 2025/26 Audit			
Programmes and Projects Time allocated to support CBC Specific / Directed Programmes and Projects To include support to Local Government Re-Organisation Work Streams (when required)		158	Key System - All
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			

<p>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.</p>			
<p>Further requested assurance / advisory / support work</p>			
<p>Other Audit Involvement</p>			
<p>Management <i>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.</i></p> <p>Follow-Up Audits <i>Follow-Up of Previous Year's Agreed Actions</i></p> <p>Programmes and Projects <i>IA support to programmes and projects as appropriate</i></p> <p>Specialist Groups <i>IA attendance at specialist groups e.g. Procurement and Commissioning</i></p> <p>Grant Certification <i>Review (income and expenditure) and certification of Grants received by the Council ensuring funding requirements have been met (to include Disabled Facilities Grants)</i></p> <p>Working with the Counter Fraud and Enforcement Unit <i>Provision to ensure collaborative working with the CFEU and to ensure control weaknesses, identified during CFEU activity, are being actioned. Regular liaison meetings</i></p> <p>Contingency <i>Provision for new work based on emerging risks and Investigations.</i></p>			



Internal Audit Charter for SWAP Internal Audit Services (SWAP)

Purpose

SWAP Internal Audit Services creates, protects, and sustains value by providing the audit, compliance and governance 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, compliance and governance 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, compliance and governance 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, compliance and governance committee grants the internal audit function the mandate to provide the audit, compliance and governance 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, compliance and governance committee. Such authority allows for unrestricted access to the audit, compliance and governance committee.

The audit, compliance and governance 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, compliance and governance committee and administratively (for example, day-to-day operations) to the Section 151 Officer. This positioning provides the authority and status to bring matters directly to senior management and escalate matters to the audit, compliance and governance committee, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The chief audit executive will confirm to the audit, compliance and governance 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, compliance and governance 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, compliance and governance 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, compliance and governance 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, Compliance and Governance Committee Oversight

To establish, maintain, and ensure that the internal audit function has sufficient authority to fulfill its duties, the audit, compliance and governance 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, compliance and governance 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, compliance and governance 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, compliance and governance committee and senior management for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the audit, compliance and governance 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, compliance and governance 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, compliance and governance 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, compliance and governance 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, compliance and governance 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, compliance and governance committee.

Communication with the Audit, Compliance and Governance Committee and Senior Management

The chief audit executive will report [annually] to the audit, compliance and governance 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, compliance and governance 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, compliance and governance 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 Chartered 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, compliance and governance 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.

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Cheltenham Borough Council

Audit, Compliance and Governance – 22 April 2026

Internal Audit Update 2025-26

Accountable member:

Councillor Peter Jefferies, Cabinet Member for Finance & Assets

Accountable officer:

Claire Hughes, Monitoring 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.

Recommendations: That Audit, Compliance and Governance Committee:

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

1. Implications

1.1 Financial, Property and Asset implications

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

Signed off by: Adele Taylor, Chief Finance Officer
Adele.taylor@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: One Legal legalservices@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:

- Quality homes, safe and strong communities
- Reducing Inequalities, supporting better outcomes
- Taking care of your money

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 2025/26 was approved by this Committee in April 2025. The progress report enables the Audit, Compliance and Governance 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 2025/26 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, April 2026

Appendix B – Open Agreed Actions

Background information:

N/A

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Cheltenham Borough Council

Report of Internal Audit Activity

April 2026

Contents

The contacts at SWAP in connection with this report are:

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Jaina Mistry

Principal Auditor

Tel: 01285 623337

jaina.mistry@swapaudit.co.uk

- Contents:

Internal Audit Definitions

Audit Plan Progress

Finalised Audit Assignments

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	Counter Fraud and Enforcement Unit	Final Report	Low Substantial	1	-	-	1	Reported in July
Key Financial Control	Payroll – Publica Controls	Final Report	Mid Substantial	0	-	-	-	Reported in July
Key Financial Control	Payroll – Council Controls	Final Report	Low Reasonable	2	-	2	-	Reported in July
Follow-Up	Grant Income	Final Report	N/A	0	-	-	-	Reported in July
Governance	Data Maturity	Final Report	N/A	0	-	-	-	Reported in October
ICT	Disaster Recovery – Revenues and Benefits	Final Report	Low Substantial	0	-	-	-	Reported in October
Follow-Up	Voids Review	Interim Report	N/A	0	-	-	-	Reported in October
Operational	Recharging Mechanisms (Housing Services)	Final Advisory Report	N/A	10	5	3	2	Reported in October
Follow-Up	Recharging Mechanisms – Interim Report	Interim Report	N/A	0	-	-	-	Report in January
Key Financial Control	Bank Reconciliations	Final Report	Mid Substantial	1	-	-	1	Report Included
Key Financial Control	Revs and Bens – Council Tax and NNDR	Draft Report						
Operational	Income Streams (Licensing)	In Progress						
Follow-Up	Property and Estates	In Progress						


Audit Plan Progress



Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
Operational	Climate Change – Operational	In Progress						
Operational	Housing Allocations	Planned						
Operational	Accounts Payable – Quarterly Review 2025/26	On Going	High Substantial					Report Included – Quarter 2
Grant Certification	Carbon Data 2023/24	Ready to Start						
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						
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

Bank Reconciliations – Final Report – March 2026

Audit Objective To provide assurance that core financial processes are operated in accordance with agreed policy/procedure and with the Financial Rules.

Executive Summary				
	Assurance Opinion	Management Actions		Organisational Risk Assessment
	The review confirmed a sound system of governance, risk management and control, with internal controls operating effectively and being consistently applied to support the achievement of objectives.	Priority 1	0	Our audit work includes areas that we consider have a low organisational risk and potential impact.
		Priority 2	0	
		Priority 3	1	
		Total	1	

Key Conclusions		Audit Scope
	<p>There is no established process in place to resolve historical unreconciled items, in either the suspense account or bank reconciliation.</p> <p>At the time of audit work (January 2026) there were several outstanding entries in both the Council’s suspense account, and the ‘other items’ section of the bank reconciliation. The oldest unresolved items in both are from 2021.</p> <p>The Accounting Technician will liaise with Publica to establish a process to resolve historical suspense account entries, and unreconciled items going forward.</p>	<p>The following areas were reviewed:</p> <ul style="list-style-type: none"> • Suspense account monitoring processes. • Frequency and accuracy of bank account reconciliations. • Authorisation process for bank account reconciliations. • Implementation of previously agreed actions. <p>The period reviewed was November 24 – January 2026.</p>
	<p>We can confirm the monthly bank reconciliation is being completed in a timely manner, and it is appropriately authorised in accordance with the Councils financial rules.</p>	

Other Relevant Information.

The Accounting Technician has advised that they will be working with Publica to clear historic balances that have previously been unable to be resolved as part of the normal reconciliation process.

Accounts Continuous Analysis Quarter 2 – Final Report – March 2026

Audit Objective

To identify potential duplicate payments. To summarise and present any such payments to the Accounts Payable (AP) team for remedial action.

Executive Summary



Assurance Opinion

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

Management Actions

Priority 1	0
Priority 2	0
Priority 3	0
Total	0

Organisational Risk Assessment

Low

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

Key Conclusions



Accounts Payable (AP) use Business World to process payments on behalf of partner organisations and Councils. We used BW to generate AP reports capturing payments to suppliers between 1st April 2025 and 30th September 2025.

A total of 90,160 lines of transactional data was analysed. We cleansed the data and applied conditional formatting to highlight potential duplicate transactions. These transactions were inspected to establish whether mitigating circumstances could be identified (e.g. credit note). 3 suspected duplicates with a potential overpayment value of £622.06 were forwarded to the AP team for further investigation. This represents <0.001% of the total payments analysed.

At the time of writing this report, all potential duplicates for 2025/26 Q1&2 have been resolved. However, AP are managing 1 unresolved payment totalling £126 from 2024/25. We will continue to monitor this through to resolution.

Audit Scope

Our review covers Q1 and Q2 of the 2025/26 Financial Year. We check for potential duplicate payments at Councils and organisations hosted on Business World.

Findings have been summarised and reported to the Accounts Payable team, for further review and remedial action where necessary.

Next Steps

AP continue to work with officers and suppliers to rectify the unresolved duplicate transactions.

Our AP continuous duplicate payment analysis continues and potential duplicates for Q3 2025/26 have been forwarded to AP for further investigation. A separate report detailing Q3 conclusions will follow.

Open Agreed Actions – April 2026



Open Management Actions

All open issues and closed actions in the last 2 years based on a rolling period.

Organisation
Cheltenham Borough Council

Audit Title
All

Issue Tester
All

Issue Subscriber
All

Not yet due	Due within 30 days	1-30 days overdue	31-60 days overdue	61-90 days overdue	91+ days overdue	Total Actions
3	(Blank)	9	(Blank)	2	(Blank)	14

Open Actions by Organisation

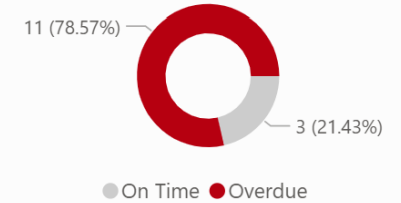
Priority ● 1 ● 2 ● 3



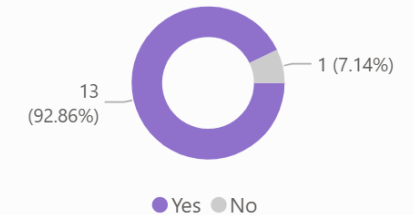
Open/Closed Actions



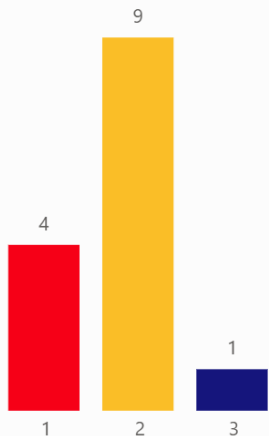
Overdue Open Actions



Open Actions with Extended Dates



Open Actions by Priority



OPEN AGREED ACTIONS - APRIL 2026

Action ID	Issue	Audit Title	Title (Issue)	Issue Status	Period	Priority Score	Original Timescale	Timescale	Follow-Up Assessment
7076	6630	CBC - Payroll 2024/25	Mileage Claims missing trip details	Pending Remediation	2024/25	2	30/09/2025	31/01/2026	March 2026: Waiting for response from HR
7077	6631	CBC - Payroll 2024/25	Receipts are not viewable in Business World	Pending Remediation	2024/25	2	31/12/2025	31/01/2026	March 2026: Waiting for response from HR
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	31/01/2025	30/06/2026	March 2026: Policy is due to be signed off by the newly appointed CBC H&S director when they start. Deadline requested to be extended until end of June.
6813	6380	CBC - Recharging Mechanisms - 2024/25	CBC Recharges Governance and Documentation.	Pending Remediation	2024/25	1	31/12/2025	31/05/2026	March 2026: Auditors are working through the data that has been submitted
6814	6381	CBC - Recharging Mechanisms - 2024/25	CBC Recharges Monitoring.	Pending Remediation	2024/25	2	31/12/2025	31/03/2026	March 2026: Auditors are working through the data that has been submitted
6820	6387	CBC - Recharging Mechanisms - 2024/25	CBC QL – Recharges Data.	Pending Remediation	2024/25	1	31/12/2025	31/03/2026	March 2026: Auditors are working through the data that has been submitted
6822	6389	CBC - Recharging Mechanisms - 2024/25	CBC Recharges Repair Operatives PDAs.	Pending Remediation	2024/25	2	31/12/2025	31/03/2026	March 2026: Auditors are working through the data that has been submitted
6823	6390	CBC - Recharging Mechanisms - 2024/25	CBC Recharges Reconciliations	Pending Remediation	2024/25	2	31/12/2025	31/03/2026	March 2026: Auditors are working through the data that has been submitted
7474	7011	CBC - Recharging Mechanisms - 2024/25	Training for administering the Section 20 Notice Process is lacking.	Pending Remediation	2024/25	1	31/12/2025	31/03/2026	March 2026: Auditors are working through the data that has been submitted
7475	7012	CBC - Recharging Mechanisms - 2024/25	Non-compliance with the Section 20 Notice Process	Pending Remediation	2024/25	1	31/12/2025	31/03/2026	March 2026: Auditors are working through the data that has been submitted
7477	7014	CBC - Recharging Mechanisms - 2024/25	Document Storage is poor.	Pending Remediation	2024/25	2	31/12/2025	31/03/2026	March 2026: Auditors are working through the data that has been submitted
5149	4815	CBH - Voids Review - 2024/25	Budget Monitoring is ineffective	Pending Remediation	2024/25	2	31/12/2024	31/03/2026	March 2026: Auditors are working through the data that has been submitted
5150	4816	CBH - Voids Review - 2024/25	Lack of Management Oversight	Pending Remediation	2024/25	2	31/12/2024	31/03/2026	March 2026: Auditors are working through the data that has been submitted
8993	8426	CBC - Bank Reconciliation - 2025/26	CBC Unreconciled Items	Pending Remediation	2025/26	3	30/09/2026		

Cheltenham Borough Council

Audit, Compliance & Governance Committee – 22

April 2026

Draft Accounting Policies 2025-26

Accountable member:

Councillor Peter Jeffries, Cabinet Member for Finance and Assets

Accountable officer:

Adele Taylor, Interim Director of Finance and Operations & 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 2025/26 Statement of Accounts, providing Members with the opportunity to review these policies before the unaudited accounts are published on 30 June 2026.

Recommendations: that Audit, Compliance and Governance:

- 1. notes the content of these draft accounting policies and make any comments as necessary.**
-

1. Implications

1.1 Financial, Property and Asset implications

The financial implications are contained throughout the report.

Signed off by: Jon Whitlock, Head of Finance Deputy S151 Officer,
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 2025/26.

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

1.3 Corporate Plan Priorities

This report contributes to the following Corporate Plan Priorities:

- Securing our future
- Quality homes, safe and strong communities
- Reducing carbon, achieving council net zero, creating biodiversity
- Reducing inequalities, supporting better outcomes
- Taking care of your money

Signed off by: Ann Wolstencroft, Director of Corporate Services,
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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 take place prior to the review and sign-off of the Council's final audited Statement of Accounts. This approach supports the Committee's understanding of the accounting policies adopted and their application within the financial statements.

2.2 This report therefore includes the draft accounting policies included in the draft statement of accounts. It should be noted that the MHCLG timetable for the publication of unaudited Statement of Accounts is set at 30 June 2026.

2.3 The deadline for the publication of the final audited Statement of Accounts is currently proposed as 31 January 2027. The accounting policies will be reviewed again by the Committee when the audited accounts are presented for approval.

2.4 As the 2024/25 Statement of Accounts received a disclaimed audit opinion, a significant programme of additional work is being undertaken. This includes further preparation and audit procedures to provide assurance over the opening and comparative balances disclosed in the 2024/25 Statement of Accounts,

which is necessary to support the audit of the current year's financial statements.

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 2025/26 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 2025/26

Property, Plant and Equipment (PPE)

4.1 The Code introduces a revised approach to the measurement of non-investment property assets, following HM Treasury's Thematic Review on Non-Investment Assets. From 2025/26, the Council's accounting policy has been updated to confirm that:

- Property assets will be formally revalued at least once every five years (or on a rolling five-year basis).
- Indexation will be used in the intervening years between full valuations.
- Full revaluations will not be undertaken solely to demonstrate the absence of impairment, reducing unnecessary valuation work while remaining compliant with accounting standards.

Intangible Assets

4.2 The 2025/26 Code removes the option to revalue intangible assets. The Council's accounting policy has been updated to confirm that:

- All intangible assets, such as software and IT systems, are measured at historical cost less amortisation and impairment.
- Intangible assets are not carried at fair value.

4.3 This change has no practical impact on valuations, as the Council already accounts for intangible assets on a cost basis.

5 Reasons for recommendations

5.1 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 2025/26.

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Appendices:

i. Draft Accounting Policies 2025/26

Background information:

Code of Practice on Local Authority Accounting in the UK 2025/26

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 2025/26 (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 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 (i.e. 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.

Property, plant and equipment are subject to a formal valuation at least once every five years, or on a rolling five-year basis. In the intervening years between formal valuations, asset carrying values are updated using appropriate indices to reflect changes in current value.

Where no suitable index is available, and it is necessary to ensure that the carrying amount does not materially differ from current value, a desktop valuation may be undertaken in an intervening year.

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 (i.e.

freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on 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.

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

1.11 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

Intangible assets are identifiable non-monetary assets without physical

substance that are controlled by the Council and are expected to provide future economic benefits or service potential.

The Council's intangible assets primarily comprise software licences and internally developed software.

Intangible assets are initially recognised at cost, which includes all directly attributable expenditure necessary to prepare the asset for its intended use.

Measurement after recognition

Following initial recognition, all intangible assets are measured at historical cost less accumulated amortisation and accumulated impairment losses. The revaluation model is not permitted, and intangible assets are not carried at fair value.

Amortisation

Amortisation is charged on a straight-line basis over the estimated useful life of the asset, beginning when the asset is available for use. Useful lives are reviewed at each reporting date and adjusted where appropriate.

Impairment

Intangible assets are reviewed for impairment at each balance sheet date, or earlier where there is an indication that the asset may be impaired. Any impairment loss is recognised in the Comprehensive Income and Expenditure Statement.

Internally generated assets

Expenditure on research activities is expensed as incurred. Expenditure on development activities is capitalised only where all relevant criteria are met, including the demonstration of technical feasibility, intention to complete, and the ability to generate future service potential.

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 (e.g. 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 (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

- finance income (credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

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

The written-off value of disposals is not a charge against council tax, as the cost of 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 (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.17 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 (i.e. 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.

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, including the relevant disclosures, are 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 2025 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.

Cheltenham Borough Council

Audit, Compliance and Governance Committee

22 April 2026

Counter Fraud and Enforcement Unit Report

Accountable member:

Councillor Peter Jeffries, Deputy Leader of the Council and Cabinet Member Finance and Assets

Accountable officer:

Adele Taylor, Interim Director of Finance and Operations (s.151 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.

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 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 Counter Fraud and Enforcement Unit ("CFEU") and the increased revenue and penalties applied

following casework and successful investigations. The report details the following:

- Revenue - £107,674 (includes Council Tax revenue which is ultimately shared amongst precepting authorities)
- Penalties - £782 (plus £3,920 Council Tax Civil Penalties recommended)
- Loss Avoidance - £356,452

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: Adele Taylor, Interim Director of Finance and Operations (s.151 Officer), Adele.Taylor@cheltenham.gov.uk

1.2. **Legal implications**

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 must be recorded appropriately in the Central Register.

Signed off by: Alison McKane, Interim Deputy Monitoring Officer, alison.mckane@cheltenham.gov.uk

1.3. **Environmental and climate change implications**

None directly.

1.4. **Corporate Plan Priorities**

This report contributes to the following Corporate Plan Priorities:

- Taking care of your money

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.

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 report sets out work streams which are presented to the Audit, Compliance and Governance Committee as the body charged with governance in this area.
- 2.4. Work plans for the CFEU are agreed with the Interim Director of Finance and Operations (s.151 Officer), and the Director of Governance, Housing and Communities (Monitoring Officer).
- 2.5. The work plan for 2025/26 included a focus on procurement, following the introduction of the new legislation, as a high-risk area. A procurement fraud risk register has been completed, and consultation is underway before it is more widely distributed and introduced to employees across the Council. In addition, a small supplier payment review is underway to identify any concerns or internal control issues.
- 2.6. The focus of the work plan for 2026/27 is fraud awareness work streams for employees, managers, Members and residents. This needs to ensure delivery is more relatable for each group in terms of fraud risk and mitigation. Additionally, whistle-blowing training will be included to support referrals from colleagues to ensure awareness of the associated protections.
- 2.7. The workstream will also include detail regarding the new Economic Crime and Corporate Transparency Act 2023 offence of 'failure to prevent fraud', to ensure awareness is raised with all employees across the organisation. Under the offence, the Council may be:

“Criminally liable where an employee, agent, subsidiary, or other ‘associated person’, commits a fraud intending to benefit the organisation (Council) and the organisation (Council) did not have reasonable fraud prevention procedures in place.”
- 2.8. A full briefing report will be submitted to Councillors regarding this new legislation and how it impacts the Council in due course.

3. Counter Fraud and Enforcement Unit (CFEU) Update

- 3.1. The CFEU Assistant Director 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, Crimestoppers and colleagues from Gloucester City and

Gloucestershire 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 has now been launched and is a simple and effective way to raise awareness and stop people falling foul of scams or 'put a lid on fraud'.



Gloucestershire Against Scams Joint Agency Response

Working together to put a lid on fraud www.cfeu.org.uk/glassjar

- 3.3. The website provides practical advice for individuals, families, and businesses, clear reporting routes and contact details and support information for those that have been targeted by fraudsters.
- 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 February 2025, 266 matches were received relating to housing anomalies. All matches have been reviewed and recommendations made to the housing teams; results are pending.
 - In addition, the team received 1,724 Council Tax related matches as a result of the 2024/25 data sets. These have also been reviewed, and 136 recommendations were made to the Revenues Team resulting in 120 accounts being updated, increased Council Tax revenue of £89,438. 56 Civil Penalties were recommended, these were not administered.
 - A further 101 matches were received as part of the 2024/25 cycle resulting in the following:
 - 9 matches relating to payroll, all have been reviewed and closed as no further action.
 - 92 matches relating to Council Tax Reduction Scheme discrepancies. 13 cases were referred to the Department for Work and Pensions. No matches were received in relation to Housing Benefit anomalies.
- 3.5. A review of the Housing Waiting list has been completed. This includes verification of applications within Emergency Band (52 applications), Gold Band (78 applications) and Silver Band (592 applications). This resulted in 319 recommendations being referred to the Housing Team and the removal of 44

- applications. This represents a figure of £188,452 in loss avoidance. In addition, 19 applications were downgraded.
- 3.6. 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.
 - 3.7. There are approximately 16,191 active household applications on the register for Gloucestershire at this time, 2,914 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
 - 3.8. 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.
 - 3.9. The Data Sharing agreement between the Housing Team and the Revenues and Benefits team for this exercise was reviewed this year. Additional assurance was requested in relation to data sharing which has led to a temporary suspension of this workstream across the CFEU partnership. This is close to reaching a resolution.
 - 3.10. Work was finalised in relation to the proactive review of single person discount anomalies resulting in increased Council Tax revenue of £4,040.
 - 3.11. Following the introduction of the Grants Fraud Risk Toolkit, the CFEU have been supporting colleagues with the verification of grant applications. 8 applications were reviewed in respect of Community Pride Grants.
 - 3.12. The CFEU undertook a review of properties sold under the Right to Buy scheme. Assurance was sought to ensure none had had been the subject of undisclosed sale in the last 5 years. 184 properties were reviewed and no matters were raised.
 - 3.13. **Reactive Case Results 2025/26 (to 28 February 2026)**
 - 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. Since 1 April 2025 the team received 76 referrals relating to non-tenancy matters, 41 referrals resulted in advice / referral was declined and 23 matters were referred to the Department for Work and Pensions.
- 3.16. 9 cases were opened in relation to regulatory enforcement with teams across the Council. This resulted in the following:
- 3 written warnings; 2 for Planning/Heritage and 1 for Licensing.
 - Work undertaken with the Licensing Team resulted in a successful prosecution relating to a Taxi Licensing offences. The individual pleaded guilty and received a Fine for £576 and was ordered to pay £1,158 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. 2 cases were opened, and 7 cases were closed resulting in the following.
- Increased Council Tax revenue of £12,953.
 - 1 Civil Penalty totalling £70.
 - 1 Criminal Penalty totalling £712 was accepted.
 - 2 successful prosecutions for failing to declare increased household income; both individuals pleaded guilty. 1 received a 12-month community order with 20 rehabilitation days, £80 Fine and a costs order for £85. The second individual received a 12-month community order and £60 Fine.
- 3.18. The team received 2 referrals relating to staff matters and closed 3 matters resulting in 1 unfounded grievance and 2 individuals that are no longer employed by the Council.
- 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 on 1 April 2026 detailing the work undertaken during 2025/26.
- 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 2025/26, the team received 20 investigation referrals and closed 22 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 received 306 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. 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 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)
 - The total is therefore £41,740 approximated to £42,000.
- 3.23. 4 properties were recovered representing a loss avoidance figure of £168,000. 3 properties had been abandoned and 1 had been sublet.
- 3.24. The team assisted with activities to trace former tenants with rent arrears. 10 individuals were referred, 5 were traced to new addresses and 4 are presumed to still be residing at the last known address. 1 case remains outstanding.

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

- 4.1. 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.
- 4.2. The Policies 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.
- 4.3. 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.

- 4.4. Two minor amendments to the current RIPA (Surveillance and Covert Human Intelligence Source) Policy have been actioned using the delegation which applies as these are minor. Section 22.5 'APPLICATIONS/AUTHORISATION' has been altered to reflect that any alternative approach should be explored before surveillance where possible and justification should be recorded on the case file rather than within a feasibility study/intrusion assessment.
- 4.5. Section 22.18 'ATTENDING THE HEARING' has been updated to reflect that the applicant must attend the hearing but that the Authorising Officer does not but should be available if required to.
- 4.6. The Policies will be the subject of a full review later in the year and will be presented to Members for approval at that time.
- 4.7. 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.
- 4.8. 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.
- 4.9. The Council was inspected by IPCO, regarding its compliance with the legislation in July 2023. The next inspection is due in 2026.
- 4.10. There have been no RIPA applications made by the Council during 2025/26 and no applications were made for communications data. There have been 8 non-RIPA applications made during 2025/26 concerning overt activity.
- 4.11. 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.

5. Whistleblowing Policy

- 5.1. The Audit and Governance Committee approved the revised and updated Whistleblowing Policy in May 2025.
- 5.2. Subsequently, the Employment Rights Act 2025 outlined that allegations that sexual harassment has or is likely to occur that are in the public interest will qualify as a 'protected disclosure' and individuals making these allegations will receive whistleblowing protections against dismissal or detriment. The

Whistle-Blowing Policy has therefore been updated to reflect this minor amendment under delegated authority.

5.3. Section 1.5 (2) now includes 'sexual harassment that has or is likely to occur'.

6. Alternative options considered

6.1. None.

7. Consultation and feedback

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

7.2. 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.

8. Key risks

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

8.2. 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:

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Appendices:

1. 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	Director Finance and Operations	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	Director Finance and Operations	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

Briefing Note

Committee name: Audit, Compliance and Governance Committee

Date: 22 April 2026

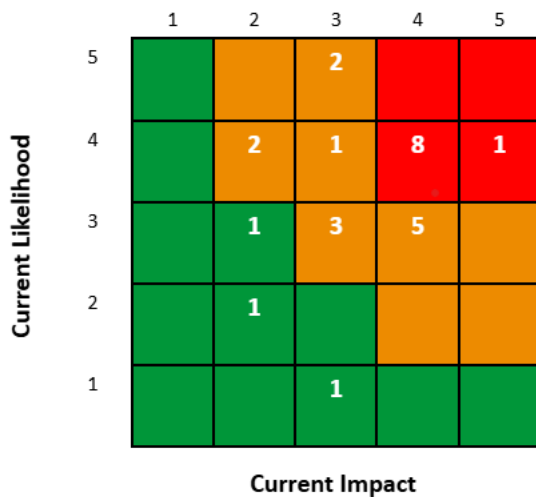
Responsible officer: Margaret Anderson– Interim Governance, Risk and Assurance officer

Cheltenham Borough Council corporate risk register

There are currently 41 active risks on the corporate risk register.

The below matrix shows the breakdown of current risk scores:

Current likelihood and impact of risks



In summary:

- 5 risks were added this quarter
- 0 were closed and archived
- 0 were suspended
- 34 risks had no change since the last assessment
- 7 risks reduced since their last assessment
- 0 risks increased

New risks:

5 risks were added to the corporate risk register this quarter:

1. Access to fuel and increased costs- If there is limited access to fuel or significant increases in fuel prices, then the repairs service may be unable to operate effectively, leading to delays in attending appointments, increased operational costs, reduced service performance, and a decline in customer satisfaction
 - a. Raw risk score – 9
 - b. Current risk score – 9
2. Safeguarding for events and activities- If we have inadequate safeguarding arrangements in place then there is a risk that the council will fail to make appropriate safeguarding referrals, put children and vulnerable adults at risk and not meet its legal obligations
 - a. Raw risk score- 16
 - b. Current risk score- 12
3. Global instability in particular in the Middle East that poses a financial and supply risk around fuel, energy and interest rates- Global instability in the Middle East impacts directly and indirectly on the costs of providing services at Cheltenham Borough Council and our partners. The potential for reduced supply of goods and services including fuel may impact on our ability to manage day to day activities.
 - a. Raw risk score- 20
 - b. Current risk score- 15

Two of those added are confidential risks and so cannot be shared in a public forum.

Closed risks

Zero risks were closed and archived this quarter.

Overview of change in risk score:

7 risks reduced since their last assessment

1. 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.
 - a. Mitigation measures updated and risk reduced from 20 to 12
2. Housing Properties Health & Safety - If we do not manage health and safety management of our housing properties, then we may be putting tenant at risk of serious injury or death.
 - a. Mitigation measures updated and risk reduced from 15 to 12
3. Big Local- In connection with the community hub building, if the Petersfield Partnership and the Council do not meet the conditions set out by local trust then there is the possibility they will withdraw their grant funding.
 - a. Mitigation measures updated and risk reduced accordingly from 6 to 3

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4. Compliance with Property Legislation & Regulations- If we are not compliant with relevant legislation / regulations in residential CBC properties then this may result in incidents resulting in reputational damage, fines and potential corporate manslaughter charges.
 - a. Mitigation measures updated and risk reduced accordingly from 12 to 6.
 5. M5 J10 Planning- If the SLP councils 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 and an appropriate method of testing S106 contributions, then this may have a major impact on how planning applications are considered and impact on meeting the councils 5-year housing land supply.
 - a. Mitigation measures updated and risk reduced accordingly from 16 to 12.
 6. Local Government Reorganisation- If local government re-organisation is not managed effectively then it may impact on financial viability, services to residents and staff motivation and retention.
 - a. Mitigation measures updated and risk reduced accordingly from 16 to 12.
 7. Senior finance capacity- If we do not adequately manage the strategic management capacity within finance then there is a risk that the council operates outside of its effective financial and governance controls
 - a. Mitigation measures updated and risk reduced accordingly from 15 to 12.

Zero Risks increased since their last assessment

The highest risks on the corporate risk register are:

The top risk has a current risk score of 20:

Risk ID	Risk Status	Risk Title	Risk Description	Risk Manager	Date Raised	Risk Category (Multi-Select)
142	Active	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.	Richard Gibson	14/01/2025	Financial Reputation Customer satisfaction H&S wellbeing Contractual governance

The following risks have a current risk score of 16.

Risk ID	Risk Status	Risk Title	Risk Description	Risk Manager	Date Raised	Risk Category (Multi-Select)
145	Active	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.	Jon Whitlock	20/02/2025	Financial Capacity Reputation Governance
195	Active	Private Sector Housing (resourcing)	If CBC does not, or cannot, adequately resource its private sector housing work, then the authority will be unable to meet its statutory obligations and duties.	Bernadette Reed, Louis Krog	12/09/2025	Reputation Legal

197	Active	People resource, LGR and financial provision	If we do not make an adequate provision in our financial plan for additional people resources over the next few years then we may not be able to deliver business as usual	Ann Wolstencroft	18/09/2025	Employee Capacity Reputation Customer satisfaction Performance Legal
151	Active	Impact of lack of 5 Year housing land supply	If the housing delivery action plan, which seeks to address the lack of a 5-year housing land supply, is ineffective then will need to consider alternative actions.	Tracey Birkinshaw	14/01/2025	Reputation Capacity Performance
153	Active	Cheltenham, Gloucester & Tewkesbury Strategic & Local Plan	If there is a failure to gain political consensus across the partners to reach key milestones & failure to adequately resource work then this would impact on reaching milestones which would lead to delay, costs, lack of delivering statutory part of development plan & potential special measures.	Tracey Birkinshaw	21/01/2025	Reputation Contractual governance Financial Performance Capacity Governance Legal
356	Active	Demand for Housing accommodation	If the number of asylum seekers and refugees and homelessness generally continues to increase in Cheltenham, and there is insufficient accommodation to meet the demand for housing then there will be increased pressures on homelessness and rough sleeping services.	Martin Stacy	25/06/2025	Financial Capacity Customer satisfaction Performance Reputation
152	Active	Cheltenham Trust	If the Trust is unable to deliver on its five-year business plan & run leisure & culture services in a profitable way (within context of cost of living crisis) then the council may incur financial costs to ensure the organisation remains solvent.	Richard Gibson	14/01/2025	Financial Reputation
160	Active	Medium Term Financial Strategy (GF)	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.	Jon Whitlock	21/01/2025	Financial Capacity Customer satisfaction

157	Active	Cyber Security	If CBC have a cyber security breach then this could impact the Council's ability to deliver services leading to resident hardship, financial loss & reputational damage.	Ann Wolstencroft	21/01/2025	Reputation Governance Financial
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Two of those with a score risk score of 16 are confidential risks and so cannot be shared in a public forum.

Contact Officer: Margaret Anderson
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