



Public Document Pack STROUD DISTRICT COUNCIL

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18 September 2023

AUDIT AND STANDARDS COMMITTEE

A meeting of the Audit and Standards Committee will be held on **TUESDAY, 26 SEPTEMBER 2023** in the Council Chamber, Ebley Mill, Ebley Wharf, Stroud at **7.00 pm**

Kathy O'Leary
Chief Executive

Please Note: The meeting is being held in the Council Chamber at Stroud District Council and will be streamed live on the Council's [YouTube Channel](#). A recording of the meeting will be published onto the [Council's website](#). The whole of the meeting will be recorded except where there are confidential or exempt items, which may need to be considered in the absence of press and public.

If you wish to attend this meeting, please contact democratic.services@stroud.gov.uk.
This is to ensure adequate seating is available in the Council Chamber.

AGENDA

1. **APOLOGIES**
To receive apologies for absence.
2. **DECLARATION OF INTERESTS**
To receive declarations of interest.
3. **MINUTES (Pages 5 - 16)**
To approve the minutes and restricted minutes of the meeting held on 18 April 2023.
4. **PUBLIC QUESTIONS**
The Chair of the Committee will answer questions from members of the public submitted in accordance with the Council's procedures.

**DEADLINE FOR RECEIPT OF QUESTIONS
Noon on Wednesday, 20 September 2023**

Questions must be submitted to the Chief Executive, Democratic Services,
Ebley Mill, Ebley Wharf, Stroud and can be sent by email to
Democratic.services@stroud.gov.uk

5. **MEMBER QUESTIONS**
See Agenda Item 4 for deadlines for submission.

6. **UNAUDITED STATEMENT OF ACCOUNTS 2022/23 (Pages 17 - 128)**
This report provides an opportunity to publicly consider the Statement of Accounts 2022-2023 ahead of the official audit opinion from Deloitte.
7. **EXTERNAL AUDIT PLAN (Pages 129 - 164)**
To receive an update from External Auditors Deloitte.
8. **QUARTER 1 2023/24 TREASURY MANAGEMENT (Pages 165 - 176)**
To provide an update on treasury management activity as at 30/06/2023.
9. **ANNUAL GOVERNANCE STATEMENT 2022/23 (Pages 177 - 202)**
This report brings forward the Annual Governance Statement for the financial year 2022/23, setting out the governance arrangements which have been in place and identifying areas of focus for 2023/24.
10. **LOCAL CODE OF CORPORATE GOVERNANCE (Pages 203 - 214)**
For members to consider and review Stroud District Councils Local Code of Corporate Governance which has been developed in accordance with the CIPFA/SOLACE framework 'Delivering Good Governance in Local Government'.
11. **ANNUAL REPORT OF THE CHAIR OF THE AUDIT AND STANDARDS COMMITTEE (Pages 215 - 224)**
The Annual Report of the Chair of the Audit and Standards Committee (the Committee) summarises the Committee's activities during 2022-23 and sets out its plans for the next twelve months. This report provides independent assurance that the Council has in place:
 - I. Adequate and effective governance, risk management and internal control frameworks;
 - II. Internal and External Audit services; and
 - III. Financial reporting arrangements that can be relied upon and which contribute to the high corporate governance standards that this Council expects and maintains.
12. **ANNUAL REPORT OF THE HEAD OF AUDIT RISK ASSURANCE (ARA) 2022/23 (Pages 225 - 236)**
To provide the Committee with an annual report on Internal Audit Activity which fully meets the Head of ARA's annual reporting requirements, as set out in the Public Sector Internal Auditing Standards (PSIAS) 2017.
13. **COUNTER FRAUD TEAM ANNUAL REPORT – 2022/23 (Pages 237 - 250)**
To provide the Committee with an annual report on counter fraud activity in the Council, led by the Audit Risk Assurance (ARA) Counter Fraud Team.
14. **STANDING ITEMS**
 - (a) **Corporate Risk Register Update (Pages 251 - 262)**
 - (b) **To consider the Work Programme (Pages 263 - 264)**

15. **INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2023-24 (Pages 265 - 294)**
To inform Members of the Internal Audit activity progress in relation to the approved Internal Audit Plan 2023-24.

LOCAL GOVERNMENT ACT 2000 – EXCLUSION OF PRESS AND PUBLIC

Appendix B for this item contains exempt information by virtue of Paragraphs 3 of Part 1 of Schedule 12a of the Local Government Act 1972 and a resolution may be passed to exclude the public during consideration of this item.

Members of Audit and Standards Committee

Councillor Nigel Studdert-Kennedy (Chair)

Councillor Paula Baker

Councillor Doina Cornell

Councillor Stephen Davies

Councillor Christopher Jockel

Councillor Martin Pearcy (Vice-Chair)

Councillor Norman Kay

Councillor Keith Pearson

Councillor Ashley Smith

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AUDIT AND STANDARDS COMMITTEE

Tuesday, 18 April 2023

7.00 - 10.07 pm

Council Chamber

Minutes

Membership

Councillor Nigel Studdert-Kennedy (Chair)

Councillor Paula Baker

Councillor Stephen Davies

Councillor Nick Hurst

Councillor Norman Kay

*Absent

Councillor Martin Percy (Vice-Chair)

Councillor Keith Pearson

Councillor Ashley Smith

Councillor Rich Wilsher

Officers in Attendance

Strategic Director of Resources

Corporate Director (Monitoring Officer)

Head of Audit Risk Assurance

Principal Accountant

Senior Accountancy Officer

Principal Auditor

Head of Service Counter Fraud and
Enforcement Unit

Principal Auditor

Senior Policy and Governance Officer

Information Governance Officer

Democratic Services & Elections Officer

ASC.053 Apologies

There were none.

ASC.054 Declaration of Interests

There were none.

ASC.055 Minutes

RESOLVED That the Minutes of the meeting held on 29 November 2022 and 7 February 2023 and the Exempt minutes of the 7 February 2023 were approved as a correct record.

ASC.056 Public Questions

There were none.

ASC.057 Member Questions

There were none.

ASC.058 **Planning Enforcement**

An information sheet was circulated as part of the reports pack.

In response to questions from Councillor Davies, the Strategic Director of Resources explained that there had been a few new hires within the Planning Enforcement Team. It was agreed to provide further details of their training outside of the meeting.

ASC.059 **Air Source Heat Pumps**

An information sheet was circulated as part of the reports pack.

Members debated the performance and maintenance of the air-sourced heat pumps followed. At the conclusion of the discussion, it was agreed that Councillors wanted to know how the air-sourced heat pumps worked and whether this information was communicated appropriately to the tenants especially when a new tenant moved in.

Councillor Hurst debated whether the tenants had been given an opportunity to feedback on the air-sourced heat pumps and whether it was worth exploring other options.

Councillor Studdert-Kennedy informed the Committee that there would be a further report later in the year which would detail the decisions taken to address issues experienced with the older versions of the pumps and would set out the maintenance plan.

In response to Councillors, the Strategic Director of Resources agreed to provide the following information outside of the meeting:

- Information detailing how tenants were informed of the steps that they could take to improve the performance of the air-sourced heat pumps.
- How many of the 493 air-sourced heat pumps were older versions which could suffer from lower efficiency in colder weather.
- Further information on the service plans.
- Clarity that the end user, being the tenant, was not responsible for the maintenance and servicing of the heat pump and concealing any exposed pipework as listed on the final page of the information sheet.

ASC.060 **Revised Complaints & Feedback Policy**

The Information Governance Officer introduced the report and explained that the Complaints and Feedback Policy was an updated version of the 2019 Corporate Complaints Policy, which could be found at appendix B. Updates to the policy had been made in line with national best practice guidelines for the Local Government Ombudsman and Housing Ombudsman Services and the Policy had been updated utilising the Councils newly adopted Service Standards and Values and Behaviours. The main changes included:

- The roles had been updated to reflect the changes of positions within the Council.
- The new Policy would be reviewed every 3 years.
- A change of name to reflect that all feedback was sought.
- Stage two complaint response times had been standardised to twenty working days.
- A new peer review had been introduced as part of a stage two complaint.

In response to Councillor Davies, the Information Governance Officer confirmed that the deadline of twenty days to respond to a stage two complaint was an upper limit and Officers would be advised to respond to complaints at their earliest convenience. It was

also confirmed that the statistics regarding complaint response times were planned to be published annually for greater transparency.

Councillor Baker questioned why the remedies section had been removed from the Policy. The Information Governance Officer confirmed that the remedies section had been amended and integrated into the 'our complaints procedure' section of the report.

Councillor Kay informed the Committee that he did not want the stage 1 complaint response time to be standardised. The Information Governance Officer explained that as above, the deadline was an upper limit and the guidance to Officers would be to respond as soon as possible.

Councillor Pearson queried whether the deadline to respond to complaints should read, as soon as possible but always within 10 working days. The Information Governance Officer explained that by avoiding the use of a hard deadline, this allowed greater flexibility to Officers when dealing with a more complex complaint, it also wouldn't prevent the complainant from escalating their complaint should they choose.

Councillor Davies commended the report.

Councillor Percy commended the addition of the peer review and questioned how frequently assessment of the effectiveness of the process would take place. The Information Governance Officer explained that the Strategic Leadership Team would be completing the first peer reviews and they would assess the effectiveness of the process bi-monthly until it was satisfactorily bedded in.

Councillor Davies proposed and Councillor Kay seconded.

After being put to a vote, the Motion was carried.

**RECOMMENDED
TO COUNCIL:**

- a) To adopt the revised Complaints & Feedback Policy; and**
- b) Delegate authority to the Strategic Director of Resources to approve minor changes to the policy.**

ASC.061 Review of the Risk Management Policy Statement and Strategy

The Senior Policy and Governance Officer introduced the report. She provided the committee with a brief update on the new Risk Management System Pentana and informed them that:

- Training sessions had been scheduled in May for all Members to attend.
- There would be a separate more in-depth session scheduled for Audit and Standards Committee (A&SC) Members.
- They would be looking for feedback from Members regarding the new system.
- The newly formed Corporate Governance Group (CGG) would oversee the corporate risks and how frequently they were updated.

Councillor Davies questioned when Pentana would be live and suggested the date for A&SC Members training to be after the Annual Meeting in case of committee membership changes. The Senior Policy and Governance Officer confirmed that Pentana was already live for Officers and accepted the training suggestion.

In response to Councillor Wilsher the Senior Policy and Governance Officer explained:

- The escalation and de-escalation process for risks was still in progress as it was felt it needed to be more robust.
- Risk Owners and their managers were identified in Pentana, it would be their responsibility to review any risks allocated to them. The reporting for risks would be completed quarterly however for higher scoring risks, it would be at the discretion of the Risk Owner to decide if it required more frequent reviews.

In response to Councillor Percy, it was confirmed that the risk management guidance was undergoing a review. Part of this would clarify what the risk appetite of the council was and whose responsibility it would be to set this. It was also agreed to get back to Councillor Percy with whether the Pentana training would be Mandatory for all Officers.

Councillor Pearson proposed and Councillor Wilsher seconded.

After being put to a vote, the Motion was carried unanimously.

RESOLVED To:

- (i) **Approve the revised Risk Management Policy Statement and Strategy.**
- (ii) **Give delegated authority to the Strategic Director of Resources to make minor amendments to the Risk Management Policy Statement and Strategy as necessary.**

ASC.062 Counter Fraud and Enforcement Unit Report and Regulation of Investigatory Powers Act (RIPA) 2000 / Investigatory Powers Act (IPA) 2016 Update

The Head of Service, Counter Fraud and Enforcement Unit (CFEU) introduced the first half of the report and highlighted the following key points:

- Paragraph 2.3 outlined the establishment of the Multi-Agency Approach to Fraud (MAAF) group, which had been set up to raise awareness and to minimise and disrupt fraud across the County.
- The assurance work on the Test and Trace Grant payments found no evidence of fraud due to robust verification.
- They would be looking to complete pro-active fraud drives in relation to the Council Tax Reduction Scheme.
- Paragraph 2.9 detailed the data surrounding the National Fraud Initiative (NFI) matches.
- An Officer would be attending Ebley Mill in order to work closely with the Housing Team with regard to tenancy fraud.

In response to Councillor Percy, the Head of Service CFEU confirmed that the £2,572 amount listed in paragraph 2.5 was the sum of Council Tax due, now that the Council Tax Reduction had been adjusted. The team would be looking to recover as much of that total as possible. She further agreed to try to present the information within the report in a more visual way in order to better capture income, loss avoidance, revenue streams and numbers of referrals.

Councillor Davies questioned what the key methods of fraud identification were. The Head of Service CFEU explained that there were two different types of fraud detection: proactive and reactive. Reactive would work through referrals received and proactive would be to investigate high risk areas to look for fraudulent activity.

In response to further questions from Members, the Head of Service CFEU gave the following answers:

- There were 1,496 anomalies identified during the NFI matches, further investigation was warranted before they would know which of these would result in changes to Council Tax accounts. The figures for these would be provided at a later Committee.
- Illegal subletting was a known fraud risk affecting all social housing providers, it was not a specific issue directly related to Stroud.
- The average cost of tenancy fraud as detailed in paragraph 2.14 had been estimated at £42,000 per case this was inclusive of loss avoidance. The national estimate had recently been changed to include the recovery of legal costs, for example.

The Head of Service CFEU introduced the second half of the report on the Regulation of Investigatory Powers Act (RIPA) 2000 and Investigatory Powers Act (IPA) 2016 update. She explained that they were in the process of completing a short summary, quick reference guide for Councillors and Staff which would be circulated shortly.

RESOLVED To consider the report and comment as necessary.

ASC.063 Treasury Management Report Quarter 3

The Senior Accounting Officer introduced the report and provided a brief overview of the contents of the report. She drew the committees attention to the following key points:

- Paragraph 9 detailed the review of the LIBID/LIBOR benchmark.
- Table 1 showed the interest rate as a result of the number of base rate increases over the year.
- Table 2 provided a breakdown of the property and multi-asset performance. She informed the committee of the presentation taking place on the 24 April 2023 which would detail the changes to the Lothbury Fund.
- Table 3 contained the investments and borrowing and had recently been colour coded to analyse the Environmental Social Governance (ESG) rating.
- Tables 4,5 and 6 were new to this type of report.
- Table 4 detailed the return on the specified investments which was 2.66%.
- Table 6 outlined a minus 14% return, the biggest drop was due to the Lothbury Fund.

In response to Members questions, Officers confirmed that the ESG rating was the fourth priority after Security, Liquidity and Yield. They also informed the Committee that this linked in with the Ethical Investment Policy which was approved at Full Council on 16 February 2023.

In response to Councillor Kay, the Strategic Director of Resources explained that if a particular company went against any of the criteria set out in the Ethical Investment Policy, then they would not look to invest. All of the investments set out in table 3 on page 78 of the reports pack had good ESG ratings within the limits.

Councillor Pearson questioned the drop in the Lothbury investment detailed in table 2 as there was a positive return percentage. The Principal Accountant explained that at the time there was an unprecedented economic turmoil which caused the value of investments to drop.

Councillor Percy raised concerns that the figures in table 2 did not add up correctly. The Strategic Director of Resources agreed to look into this.

Councillor Davies proposed and Councillor Hurst seconded.

Councillor Percy debated whether to accept the report with the incorrect figures mentioned above. It was agreed to circulate the correct figures outside of the meeting.

After being put to vote, the Motion was carried unanimously.

RESOLVED To accept the treasury management activity third quarter report for 2022/2023.

ASC.064 DRAFT INTERNAL AUDIT PLAN 2023-24

The Head of Audit Risk Assurance (ARA) introduced the report and explained that the Draft Internal Audit Plan had been created in consultation with management and had taken into account the Councils priorities, objectives and risks. The plan differed slightly from previous years as the layout had been simplified, it outlined the scope of each audit proposed and the detail would follow at the time of the audit.

Councillor Kay questioned what the Council would need to do to reduce the risk score. The Head of ARA explained that the risk score on the Audit Plan was separate from that on the Corporate Risk Register. The risk had been calculated using a number of factors such as; date of last review, history, susceptibility to fraud, capacity issues and more. This was used to identify the need for an Audit and to schedule to Audit Activities for the upcoming year.

Councillor Hurst drew attention to item 15 on page 95, and questioned why Audit were looking into private sector housing issues. He also questioned whether items 3, 8 and 15 needed to be completed together as they were all closely linked. The Principal Auditor explained that it was a requirement for the council to look into damp and mould within the private sector housing. She further confirmed that although the projects were topically linked they would require separate audits at different times due to the service requirements.

In response to Members questions, Officers gave the following answers:

- The ICT back up process audit had been scheduled in quarter 2 after consultation with management.
- Some of the risks apparent on the draft audit plan were not included in the Corporate Risk Register (CRR). This was because they were service risks and only the corporate risks were listed on the CRR.

The Head of ARA reminded the committee that this was a snapshot in time and items were likely to change as the year progressed which meant things could move depending on the severity of the risk at that time.

In response to Councillor Pearson, the Corporate Director (Monitoring Officer) explained the reason that Risk Management Follow-Up was scheduled in for quarter 3 was due to ongoing work. There were a number of policies and procedures that had been put into place and would need to be embedded before the follow up could take place.

Councillor Pearson proposed and Councillor Baker seconded.

2022/23

Councillor Baker commented that private sector housing was a small percentage of Stroud District Council's housing stock, and it was very important that they ensured it was liveable.

Councillor Kay stated that he would be abstaining.

After being put to a vote, the Motion was carried with 8 votes for, 0 votes against and 1 abstention.

RESOLVED To:

- a) **Note that the Draft Internal Audit Plan 2023-24 reflects the current risk profile of the Council; and**
- b) **Agree the Draft Internal Audit Plan 2023-24 as detailed in Appendix A.**

ASC.065 Corporate Risk Register Update

The Strategic Director of Resources introduced the report and explained that the changes had been outlined in the report. He informed the Committee that they were currently in the process of transferring from the Excelsis system to Pentana therefore the risk numbering was likely to change, this would all be outlined in the next report.

In response to Councillor Smith, the Interim Director of Transformation & Change confirmed that the Cyber Insurance had been purchased and agreed to have a conversation outside of the meeting to discuss the detail.

ASC.066 Work Programme

The Strategic Director of Resources informed the Committee that they were still waiting for the final sign off on the accounts from external audit but that this was a national issue regarding pensions and only 16% of council's had received sign off.

ASC.067 INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2022-23

The Head of Audit Risk Assurance (ARA) introduced the report and explained that there was substantial assurance provided on the Brimscombe Port Audit. It contained a brief update on the work completed by the Counter Fraud Team which was detailed on page 113 of the reports pack.

The Chair proposed, on the advice of the Monitoring Officer, that Appendix B of the Agenda Item 13 should be considered exempt and if agreed, any questions would be dealt with in closed session. The information was considered exempt as it related to the financial or business affairs of any particular person (including the authority holding that information).

After being put to a vote, the Motion was carried.

RESOLVED Pursuant to the provisions of Section 100 (A)(4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of this item at agenda item 12 on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 3 of Part 1 of Schedule 12A of the Act.

The Chair asked members if they were happy to continue the meeting given that the time was approaching 10pm and in accordance with the Councils' Constitution section 3 paragraph 6, members would need to vote in order to continue the meeting.

After being put to a vote, the Motion was carried.

RESOLVED To continue the meeting beyond 10pm.

Councillor Davies proposed and Councillor Pearson seconded.

After being put to a vote, the Motion was carried unanimously.

RESOLVES To:

- i. Accept the progress against the Internal Audit Plan 2022-23; and**
- ii. Accept the assurance opinions provided in relation to the effectiveness of the Council's control environment (comprising risk management, control and governance arrangements).**

The meeting closed at 10.07 pm

Chair

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STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

26 SEPTEMBER 2023

| | | | | |
|--|---|-------|----------|---------------|
| Report Title | Unaudited Statement of Accounts 2022 - 2023 | | | |
| Purpose of Report | This report provides an opportunity to publicly consider the Statement of Accounts 2022-2023 ahead of the official audit opinion from Deloitte. | | | |
| Decision(s) | The Committee RESOLVES to approve the unaudited Statement of Accounts for the year ending 31 March 2023. | | | |
| Consultation and Feedback | None. | | | |
| Report Author | Graham Bailey, Principal Accountant Tel: 01453 754133 Email: graham.bailey@stroud.gov.uk | | | |
| Options | None. | | | |
| Background Papers | None. | | | |
| Appendices | Appendix A – Unaudited Statement of Accounts 2022 – 2023 | | | |
| Implications (further details at end of the report) | Financial | Legal | Equality | Environmental |
| | No | Yes | No | No |

1. INTRODUCTION / BACKGROUND

- 1.1 The Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) specifies the principles and practices of accounting required to give a ‘true and fair’ view of the financial position, financial performance and cash flows of a local authority.
- 1.2 The Code is part of the ‘proper practices’ requirements governing the preparation of an authority’s Statement of Accounts referred to in section 21 of the Local Government Act 2003.
- 1.3 It is important for compliance with the Code that two particular aspects are understood clearly.
- 1.4 First, all Statements of Accounts should reflect a common pattern of presentation, although this does not necessarily require them to be in an identical format. One of the main aims of the Code is to narrow the areas of difference and variety in accounting treatment and thereby to enhance the usefulness of published Statements of Accounts.
- 1.5 Secondly, interpretation and explanation of the accounts is considered to be extremely important. The Code requires that there should be a Narrative Report to accompany the Statement of Accounts. The Narrative Report should explain the more significant features of the accounts (see section 3.1 of the Code for further details of the requirements to produce a Narrative Report). It should be based on the information contained in the Statement of Accounts and local authorities should ensure that it does not contain material inaccuracies or misleading statements in relation to the Statement of Accounts.
- 1.6 The Statement of Accounts were signed by the Section 151 Officer on 31 May 2023 and were published on the same day on Council’s website. This is compliant with the statutory deadline of 31 May 2023. Notice was also given on the website and in local newspapers that rights of the public and local government electors to have access to financial

documents and to raise objections with the Auditor commenced 1 June and ran until 12 July.

2. COMMENTARY ON THE FINANCIAL STATEMENTS

- 2.1 Movement in Reserves Statement: This is split between usable and unusable reserves and shows the detail of movement in reserves, from the surplus / (deficit) on provision of services in the Comprehensive Income and Expenditure Statement (CIES), to the position on the Balance Sheet at 31 March 2023.
- 2.2 Comprehensive Income and Expenditure Statement (CIES): The CIES consolidates all the financial gains and losses experienced during the year. The CIES has two sections:
 - a. Surplus or Deficit on the Provision of Services – which shows the increase or decrease in the net worth of the Council as a result of incurring expenses and generating income.
 - b. Other Comprehensive Income and Expenditure – which shows any other changes to net worth, and examples include movements in the fair value of assets or actuarial gains or losses on pension assets and liabilities.....
- 2.3 Balance Sheet: The Balance Sheet summarises the Council's financial position at 31 March 2023. The top half shows accrued assets and liabilities. The bottom half is comprised of reserves, split between usable and unusable reserves, which represent the net worth of the Council.
- 2.4 Cash Flow Statement: This shows the year on year change in cash and cash equivalents, which are cash on call, and investments with a maturity of three months or less.

3. IMPLICATIONS

3.1 Financial Implications

There are no financial implications from this report. The Statement of Accounts sets out full details of the Council's financial activities in the 2022/23 year.

Andrew Cummings, Strategic Director of Resources
Tel: 01453 754115 Email: andrew.cummings@stroud.gov.uk

3.2 Legal Implications

As set out in the report, section 21(1) of the Local Government Act 2003 provides that the Secretary of State may make provisions about the accounting practices ("proper practices") to be followed by local authorities. Regulation 31(a) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 specifies that the accounting practices contained in the Code of Practice on Local Authority Accounting in the United Kingdom ("the Code") are to be regarded as proper practices. The code is issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

One Legal,
Tel: 01684 272260 Email: legalservices@onelegal.org.uk

3.3 Equality Implications

An EIA is not required because there are not any specific changes to service delivery proposed within this decision.

3.4 Environmental Implications

There are no significant implications within this category.

Statement of Accounts 2022/23



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Chief Financial Officer's Narrative Report

Introduction

Welcome to the Narrative Report and Statement of Accounts for Stroud District Council.

This narrative report sets the scene and tells the story of the District Council over the past year. Included within are details of the Council and the District, financial and non-financial performance for the past year and prospects for the time ahead.

The 2022/23 has been a challenging financial year for the Council as high inflation has increased the cost of many services. Part of the strategy for dealing with those increased costs was to utilise specific reserves earmarked for that purpose and also reviewing the overall financial strategy in September 2022. The result of this is that the Council has continued to provide high quality services without damaging its financial position.

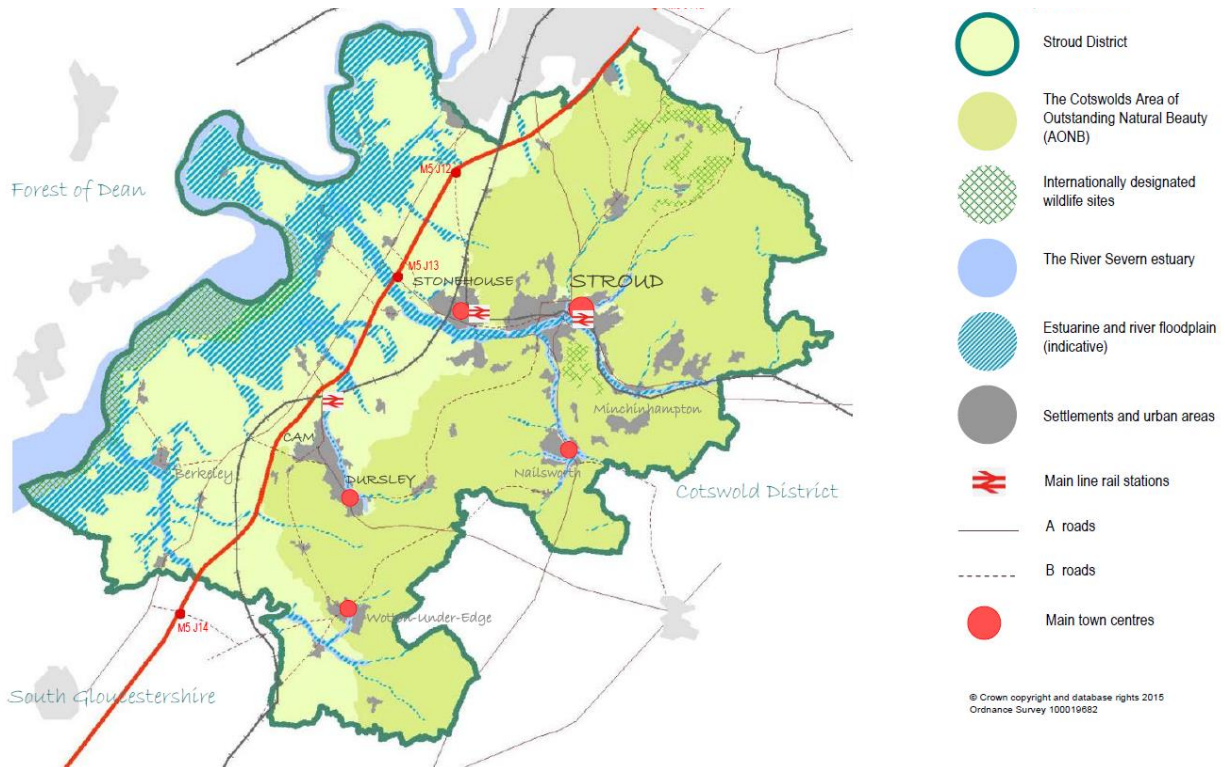
It has also been a year of political change with a new Leader and a new makeup of the Alliance which forms the Administration. In spite of those changes continuity has been a key theme with the Administration continuing to work to the same Council Plan, in spite of the changes in party groupings.

There have been significant achievements throughout the year including the selection of the preferred bidder for the Brimscombe Port Development and successfully bidding for over 5 million pounds in external funding to convert the leisure centres and the Museum in the Park to heat pump technology.

The following pages provide further details on these issues and more and I hope they are an interesting snapshot of the 2022/23 at Stroud District Council.

About the District

The District of Stroud is located in the County of Gloucestershire, and covers an area of approximately 45,325 hectares (453 km² or 175 miles²). Stroud lies about 20 miles north of Bristol and immediately south of Gloucester and Cheltenham. Gloucestershire sits at the periphery of England's south west and has close links with the Midlands, as well as South Wales. Stroud District shares boundaries with Cotswold District, Gloucester City, Tewkesbury Borough and the unitary authority of South Gloucestershire. Our neighbour to the west is the Forest of Dean, which sits on the opposite bank of the River Severn estuary. Much of the eastern half of the District falls into the Cotswold National Landscape (formerly an Area of Outstanding Natural Beauty).



- Stroud District has a population of 121,100 (Census 2021) living in 52,400 households
- Stroud's population is expected to grow to 134,499 by 2040 (ONS Population Projections)
- The draft local plan has set out a strategy for distributing an additional 12,600 homes by 2040

Political Structure

The Council consists of 51 elected members representing 28 wards across the District. Elections are normally held every four years.

Although there were no elections held during the 2022/23 year it has been a time of significant political change. There has been a change in the Leadership of the Council, the political groupings of elected members and the chairing of one committee.

The Council began the year administered by a Co-Operative Alliance of the Labour, Green and Liberal Democrat Parties. The political makeup at the start of the year was as follows:

| | |
|-------------------------|----|
| Labour | 15 |
| Green | 13 |
| Liberal Democrat | 3 |
| Conservative | 19 |
| Conservative (No Group) | 1 |

In July 2022 Cllr Doina Cornell resigned as Leader and Cllr Catherine Braun of the Green Party was elected as Leader with Cllr Natalie Bennett elected as Deputy Leader. In the remainder of the year a number of Councillors left their original political groups and two new political groups were formed.

In addition, Cllr Jason Bullingham resigned in March 2023 leaving a vacancy at the end of this financial year. This triggered a by-election which was ultimately won by the Green Party in May 2023.

The political makeup at the end of the year was as follows:

| | |
|-------------------------|----|
| Green | 13 |
| Independent Left | 5 |
| Community Independents | 4 |
| Liberal Democrats | 3 |
| Labour | 6 |
| Conservative | 16 |
| Conservative (No Group) | 3 |
| Vacancy | 1 |

The Council is now administered by an alliance of the Green, Independent Left, Community Independents and Liberal Democrat groups. This alliance totalled 25 Councillors at the end of the financial year and 26 Councillors after the May 2023 by-election.

The Council has adopted the Committee system as its political management structure. The list of Committees and chairs during the 2022/23 year is as follows:

| | |
|----------------------------------|--|
| Strategy and Resources | Councillor Catherine Braun (Leader) – replaced Cllr Doina Cornell in July 2022 |
| Community Services and Licensing | Councillor Chris Brine |
| Housing | Councillor Mattie Ross |
| Environment | Councillor Chloe Turner |
| Audit and Standards | Councillor Nigel Studdert-Kennedy |
| Development Control | Councillor Martin Baxendale |

Senior Management

The Council has a Strategic Leadership Team, reporting to the Chief Executive Kathy O’Leary.

The team was strengthened in 2022 with the appointment of a “Corporate Director and Monitoring Officer”, Claire Hughes who is a shared appointment on a 50:50 basis with Cheltenham Borough Council.

The team now consists of:

Corporate Director and Monitoring Officer – Claire Hughes

Strategic Director of Place – Brendan Cleere

Strategic Director of Change and Transformation - Adrian Blick

Strategic Director of Communities – Keith Gerrard

Strategic Director of Resources – Andrew Cummings

The three statutory positions of the Council are held by the following officers;

Head of Paid Service – Kathy O’ Leary

Chief Financial Officer (Section 151 Officer) - Andrew Cummings

Monitoring Officer – Claire Hughes. The Monitoring Officer post was also held earlier in the year on an interim basis by Stephen Taylor.

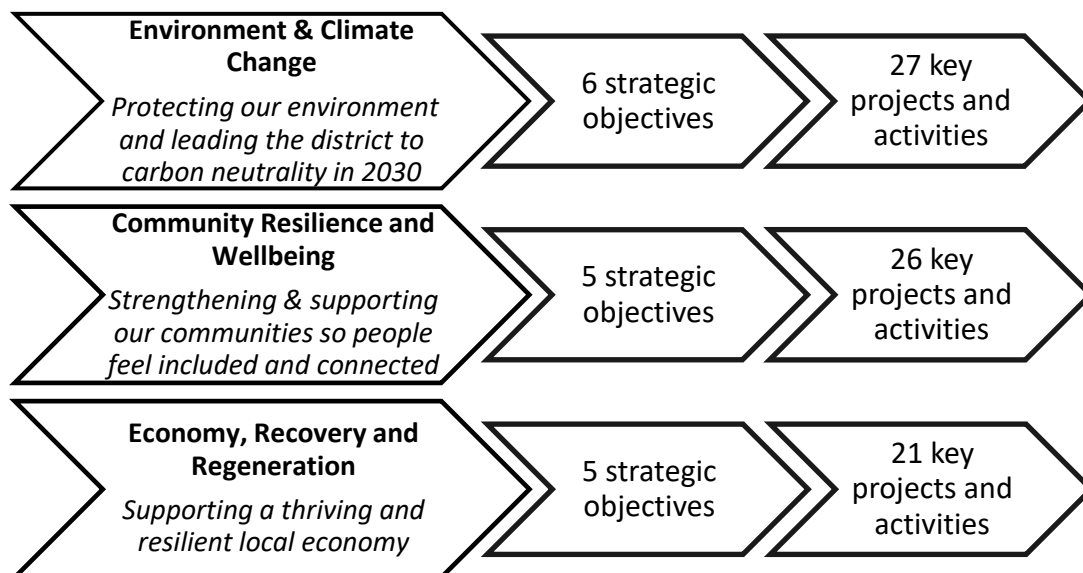
Our Vision and Priorities

The Council has a clear corporate vision and this is supported by the Council Plan which sets out in detail our key priorities.

Our vision as a Council is:

Leading a community that is making Stroud district a better place to live, work and visit for everyone

The Council Plan 2021 – 2026 is built on three tiers consisting of our priorities, our objectives and the key projects and activity the Council will undertake to achieve our objectives. A summary of the Plan is shown in the table below and the full plan can be found on the Council's website.



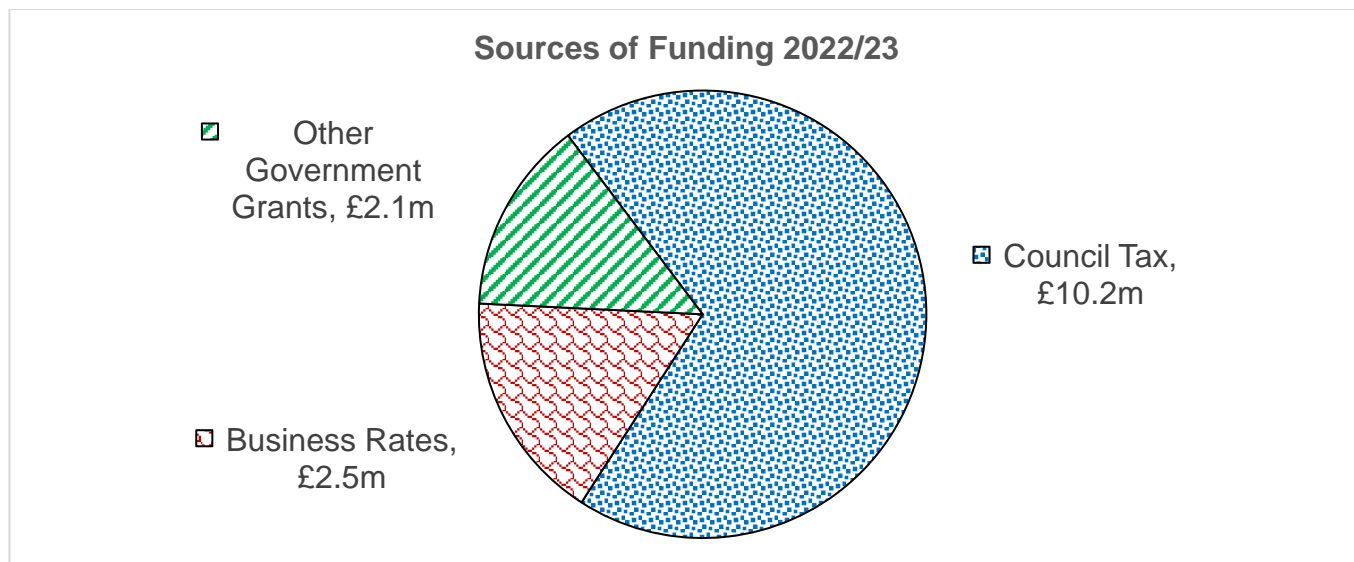
To ensure that the council has a co-ordinated approach to delivering its objectives, the key projects and activities have been outlined in a Delivery Plan which also includes the governance arrangements as well as the timescale for start and completion of the project. The Delivery Plan also includes a full set of comprehensive performance indicators.

In the upcoming financial year elected members will be considering a mid-period refresh of the Council Plan. The aim will be to ensure that the three priorities remain up to date and relevant and that the corresponding objectives and projects are best placed to support those objectives. This process will be carried out with full consideration of the financial envelope in which the Council operates.

In-Year Financial Performance

The final General Fund Revenue budget for 2022/23, including corporate items and reserve transfers, was £16.04m. The final outturn position for the year is £13.50m including net transfers from reserves of £2.90m. Total funding was £14.77m, generating an underspend of £1.27m.

Funding was received in the following amounts:



The detailed outturn position is shown in the following table:

| | 2022/23 Revised Budget £k | 2022/23 Outturn £k | 2022/23 Reserve Transfers £k | 2022/23 Outturn Variance £k |
|--------------------------------------|------------------------------|-----------------------|---------------------------------|--------------------------------|
| GENERAL FUND | | | | |
| Community Services and Licensing | 3,747 | 3,306 | 759 | 317 |
| Development Control | 278 | 717 | (100) | 340 |
| Environment | 6,742 | 6,233 | 378 | (131) |
| Housing General Fund | 1,122 | 527 | 495 | (101) |
| Strategy and Resources | 8,675 | 7,888 | (207) | (994) |
| Support Service Charges to HRA | (2,408) | (2,271) | 0 | 137 |
| Net Revenue Expenditure | 18,156 | 16,400 | 1,325 | (431) |
| Funding from Govt Grants/Council Tax | (16,039) | (14,772) | (2,072) | (805) |
| Transfers to Earmarked Reserves | (2,117) | (2,900) | 747 | (36) |
| Total General Fund | 0 | (1,272) | 0 | (1,272) |

Table contains roundings (see Glossary) which can affect the arithmetic accuracy of the figures.

The Council's outturn variance can be summarised in the following table:

| Service Area | Variance (under)/overspend £k |
|---|--|
| Community Services and Licensing | |
| Housing Benefit subsidy | 242 |
| Council Tax collection | 198 |
| Leisure services VAT refund | (158) |
| Development Control Committee | |
| Development control | 340 |
| Environment | |
| Waste and recycling | (184) |
| Strategy & Resources | |
| Facilities Management | 161 |
| Covid-19 expenditure/loss of income | (220) |
| Investment income | (815) |
| Vacancy savings | (118) |
| Support charge income from HRA | 137 |
| Business Rates Pool gain | (439) |
| New Burdens funding | (311) |
| Other variances (net) | (105) |
| Total | (1,272) |

The Council's outturn report giving full details of budget performance across the year will be published as a Strategy and Resources paper in July 2023, and will be available on the Council website.

There has been a net reduction in General Fund earmarked reserves in the year of £1.63m. There is a reduction in the Collection Fund smoothing reserve of £2.63m, whilst there are increases in a number of reserves related to priority projects and risk protection. The reduction in the Collection Fund smoothing reserve was anticipated and relates to a decrease in the net deficit on the Council's collection fund. It does not therefore represent a risk to the Council's financial position. The increases in the projects and other reserves leaves more funding available in future financial years to commit to future expenditure.

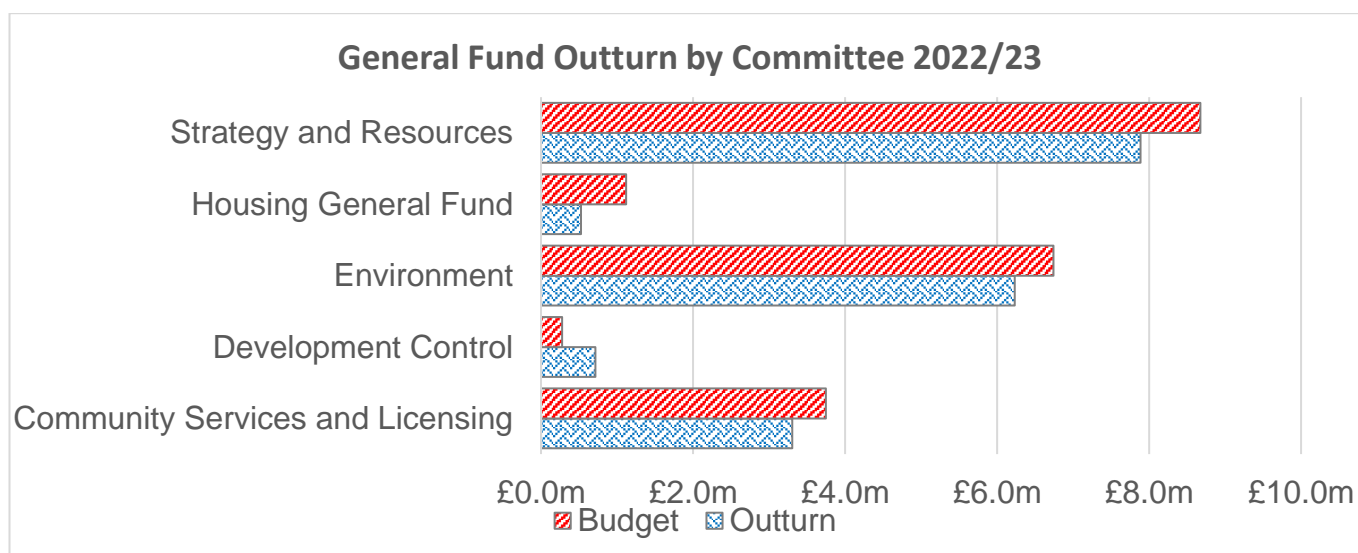
There has been no change in the Council's bottom-line General Fund balance which currently stands at £2.169m.

A summary of the General Fund Reserve position is shown in the table. Full details of reserve movements are also included in the outturn report.

| | Balance 1 April 2022 £k | In year movement £k | Balance 31 March 2023 £k |
|------------------------------------|----------------------------------|---------------------------|-----------------------------------|
| Brimscombe Port Redevelopment | 459 | (459) | 0 |
| Business rates pilot | 1,353 | (274) | 1,080 |
| Business rates safety net | 3,133 | 500 | 3,633 |
| Capital | 3,552 | (529) | 3,023 |
| Climate change | 475 | 176 | 651 |
| Collection Fund Smoothing reserve | 3,235 | (2,630) | 605 |
| Culture, arts and leisure reserve | 69 | 476 | 545 |
| General Fund carry forwards | 716 | 530 | 1,246 |
| Homelessness prevention | 240 | 102 | 342 |
| Investment risk | 310 | 510 | 820 |
| MTFP equalisation | 6,847 | (259) | 6,588 |
| Projects | 907 | 437 | 1,344 |
| Transformation | 100 | 180 | 280 |
| Waste management | 911 | (160) | 751 |
| Other earmarked reserves | 1,725 | (228) | 1,497 |
| | | | |
| General Fund Balance | 2,169 | - | 2,169 |
| Total General Fund Reserves | 26,201 | (1,628) | 24,574 |

Table contains rounding (see Glossary) which can affect the arithmetic accuracy of the figures.

The following chart shows a comparison of budget against actual outturn for each of the Service Committees and corporate items of income and expenditure.



Business Rates Pooling

Gloucestershire continues to operate a Business Rates pool which allows authorities to share in the risks and rewards of the business rates retention system and allows additional growth to be retained in the County. This is allocated in the following proportions:

- 20% to the Strategic Economic Development Fund (SEDF).
- 20% of the remaining balance goes to Gloucestershire County Council.
- The remainder is split between District Councils.

The SEDF is administered by the Gloucestershire Economic Growth Joint Committee (GEGJC) and is distributed to strategic growth projects around the county.

The total pool growth retained was £3.56m of which Stroud District Council received £0.439m, representing a significant source of funding for Council priorities. As a result of the inherent financial risk the pool gain does not form part of base budgets and is allocated as part of the outturn process to major Council projects. This year the majority of the income has been allocated to the costs associated with the change in management of the Council's leisure facilities in November 2024.

The Gloucestershire pool is continuing to operate into the 2023/24 year and similar levels of income are expected. Indeed, further gains from business rates pooling can therefore be expected until such point as an anticipated review of local government finance "resets" business rate growth.

It is expected that during the 2023/24 year the GEGJC will be replaced by a successor committee, which will take on the responsibility for managing the SEDF as part of its functions.

Housing Revenue Account

The Council owns and maintains its own council housing stock and manages 4,994 properties with a balance sheet value of £311m (2021/22 £300m).

In 2022/23 the HRA had an underspend against budget of £0.330m. The main reasons for the variance are:

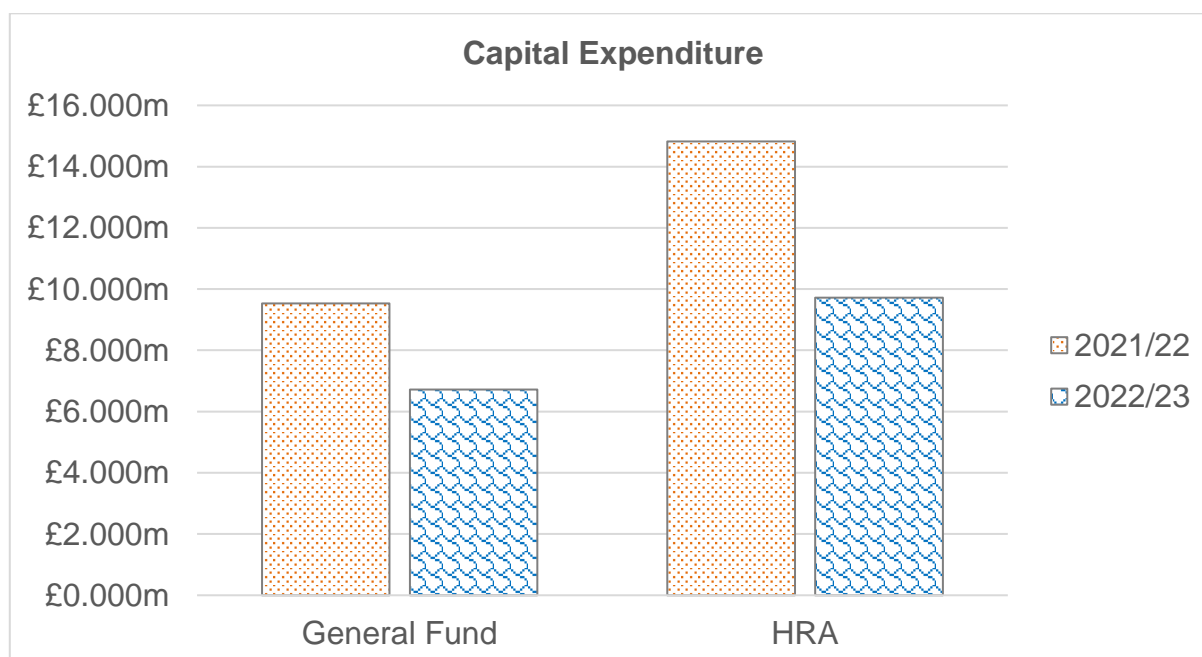
| Service Area | Variance (under)/ overspend £k |
|---------------------------------|--------------------------------|
| Dwelling rents and other income | (228) |
| Supervision and management | (562) |
| Repairs and maintenance | 750 |
| Gas and electricity | 243 |
| Support charges to General Fund | (137) |
| Investment income | (436) |
| Other variances (net) | 40 |
| Total | (330) |

The HRA outturn position for 2022/23 shows a transfer from general reserves of £1.61m (in line with the approved budget), a net transfer to earmarked reserves of £1.82m and a net transfer of £1.11m has been made from the Major Repairs Reserve. There has also been a transfer of £1.17m from earmarked reserves to general reserves, as approved by Council in February 2023. The following table shows the position of HRA reserves for 2022/23.

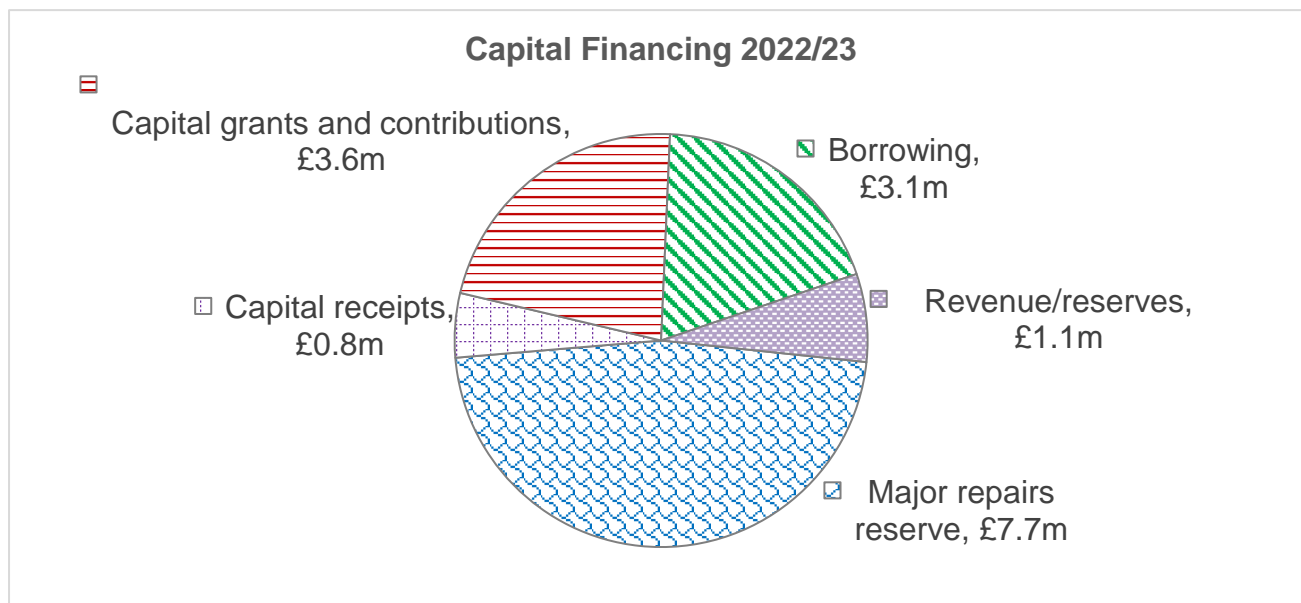
| HRA Balances 2022/23 | Opening balance £k | Net transfers to/(from) £k | Closing balance £k |
|-----------------------|-----------------------|-------------------------------|-----------------------|
| General Reserves | 4,560 | (442) | 4,118 |
| Earmarked Reserves | 6,787 | 649 | 7,436 |
| Major Repairs Reserve | 4,556 | (1,109) | 3,447 |
| Total balances | 15,903 | (901) | 15,001 |

Capital Outturn

General Fund capital expenditure for 2022/23 was £6.71m (£9.53m in 2021/22). Major General Fund capital projects included the Canal Phase 1B (Stonehouse to Saul Junction) (£1.92m), Brimscombe Port Redevelopment (£0.61m), Multi Service Contract vehicle purchases (£0.84m) and the purchase of land at Bath Place for future redevelopment (£1.37m). HRA Capital spend was £9.72m (£14.82m in 2021/22). £8.15m of this relates to major works on dwellings, with £1.41m relating to expenditure on the New Build and Development programme.



The Capital Programme is financed through a number of different sources – capital receipts (mainly Right to Buy council house sales), external grants and contributions, General Fund capital reserve, other earmarked reserves and borrowing.



Pension Fund performance

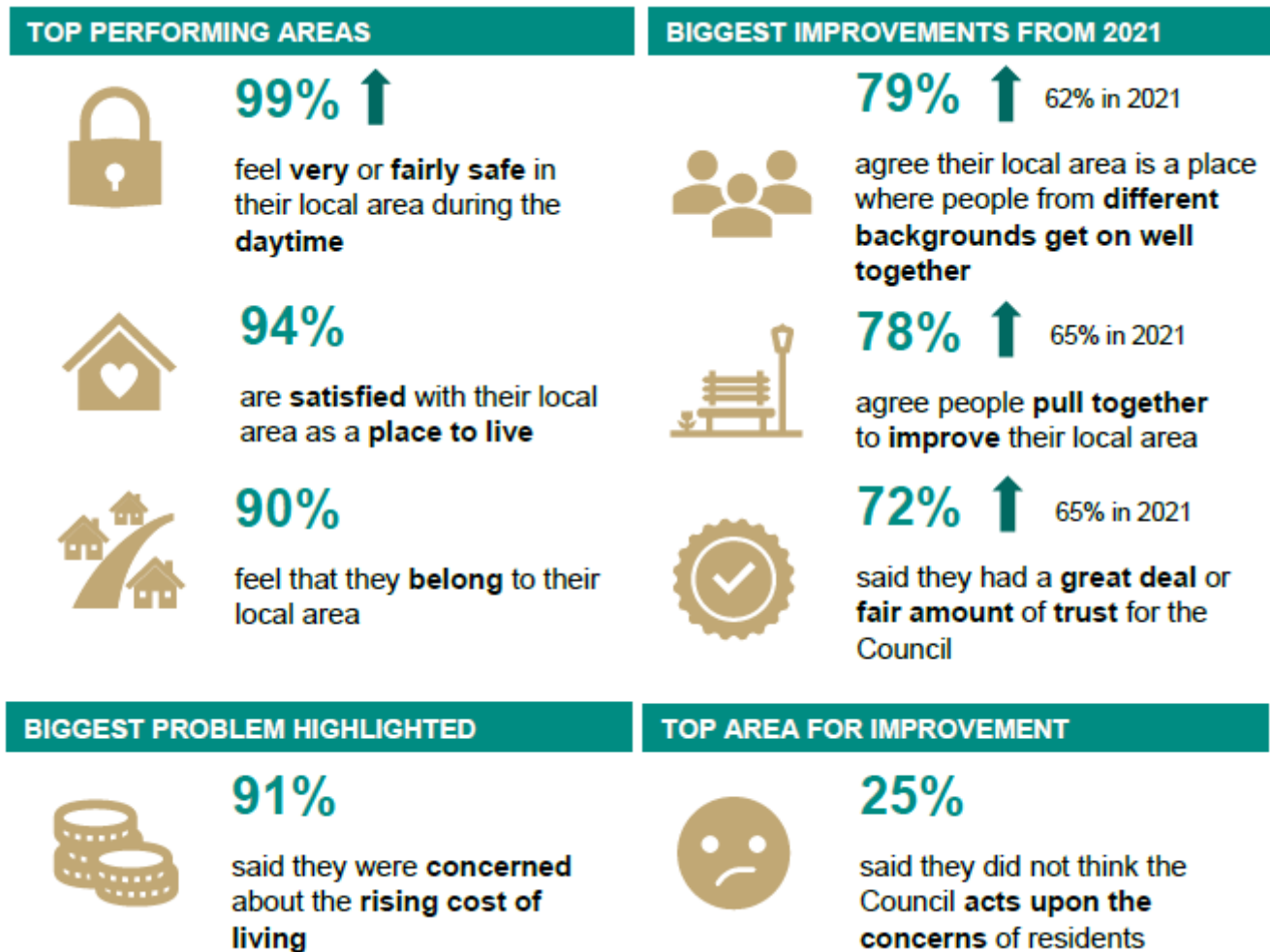
The balance sheet position of the Council's pension fund deficit has decreased in 2022/23 by £40.759m to a surplus of £1.199m (£39.560m 2021/22). The majority of this change is a result of changes in financial assessments made by the Pension Fund actuaries. Although it has no direct impact on funds available for the provision of services, this move to a position where the pension fund is a net asset on the balance sheet is a significant improvement in the Council's overall financial position and a good marker for the long term financial health of the authority.

Non-Financial Performance

The Council recognises the vital importance of capturing non-financial performance. It has continued to perform strongly in year and has acquired a new performance management system to capture performance data in the years ahead. This system will be used to monitor and report on Key Performance Indicators across a whole range of Council services. In addition the system will be used to store the Strategic Risk Register. The risk register is a key part of the Council's governance processes and is considered at every meeting of the Audit and Standards Committee.

The Council again undertook its annual budget survey of residents which continues to show high levels of satisfaction with Council services. A more proactive approach was taken to report the results of the survey this year with the top performing areas identified but also areas for improvement disclosed. This will be followed in 2023 with a "You Said, We Did" report which highlights the actions that the Council has taken to respond to residents' comments in the survey.

The key results are disclosed in the infographic below



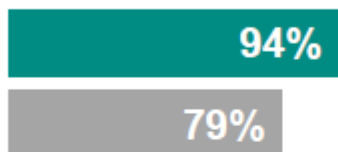
Key highlights of Council activity in the year include:

- Selection of the preferred development partner for the Brimscombe Port Development
- Being awarded £1.813m of funding to buy homes in the District to house those fleeing conflict
- Completed 24 new Council Homes
- Successfully secured a further £1.7 million for low carbon housing improvements through the Social Housing Decarbonisation Fund
- Supported a successful bid for £450k from the Gloucestershire Strategic Economic Development Fund for a retrofit centre of excellence.
- Agreed a strategy for the rollout of electric vehicles chargers in Council Car Parks and a fleet procurement strategy for Waste and Recycling vehicles which will further decrease carbon emissions
- Completed a charter to allow the Council to work in partnership with Town and Parish Councils, more than 50% of those Town and Parish Councils have signed the charter at the time of writing
- Introduced a 10 year Economic Development Strategy and associated Action Plan
- Developed an overarching Strategy for the canal corridor for the first time which has been adopted as a supplementary planning document

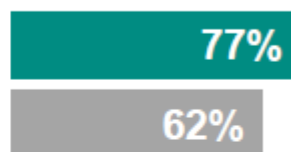
As part of the survey benchmarking was carried out on key questions against LGA national survey data. The results show that Stroud District Council continues to outperform against similar authorities.

■ Stroud District ■ Local Government Association National Polling Survey October 2022

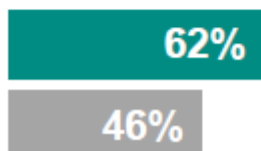
Satisfaction with the local area as a place to live



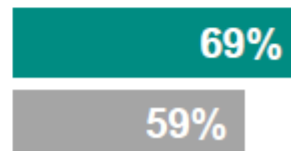
Satisfaction with the way the Council runs things



Agreement the Council provides value for money



Informed about the services and benefits the Council provides



Throughout the year every policy Committee receives performance updates on progress made against key items within the Council Plan. All of these can be found on the webpages for each Committee on the Council website, stroud.gov.uk.

Building upon the adoption of the Council Plan and the establishment of a Performance Management Framework, elected members and officers have continued to work on embedding the framework. To this end the Strategy and Resources Committee has received a further report on progress made in performance management and issues still to be addressed. This report can be found at this [link](#).

A key element of the Council Plan is the commitment to Carbon Neutrality as part of our 2030 Strategy. At the March 2023 Environment Committee the second annual report on progress on this strategy was received. The key headlines were

- Scope 1 (Those in direct control of the Council) fleet emissions down 12%
- 2022 emissions now less than half 2015 emissions
- 24 new council homes at “A” rating completed saving 74 tonnes of carbon a year
- 8 new rural flood interventions completed
- More than £5 million secured to replace ageing gas boilers with low carbon heat pump technology at 3 major council owned buildings
- Awarded a score of “B” for overall progress by the 2022 Climate Disclosure Project

The full report can be found at the following [link](#).

In January 2023 the Peer Review Team from the Local Government Association made a final review visit to assess progress made since their visit in early February 2022.

The summary of their feedback reads as follows.

SDC has made significant progress in a number of areas since the peer team visited in March 2022. As referenced above, the peer team were shown a number of projects that the council is involved during the peer visit that clearly demonstrated the council’s ambition for place. Some of the projects are longer term and complex with strategic delivery partners involved. The role of the council will be critical going forward to make things happen. From that site visit the peer team reflected that Stroud is in many ways a unique place with a strong industrial heritage, but with a

real focus on the future and ensuring both the development but also sustainability of the district. This shines through both in the value base of the council and indeed its communities and the stakeholders we met with. The peer team found that what underpins all of this is strong partnerships between the council and its communities and both staff and council members who are real advocates for the council and the district.

The full report considers progress specifically on;

- Working with Town and Parish Councils
- Creating a Member Development Group
- An Action Plan for Improvement to Housing Services
- Creating a One Council Ethos

The full report from the LGA Team can be found on the Council website at this [link](#).

The Outlook for the Future

Financially, the Council is in a strong place to continue to manage the impacts of high inflation and increased costs in services. A balanced budget has been set for 2023/24 year and a robust system of budget monitoring will help ensure that officers and members are aligned to the financial targets contained within that budget.

In the longer term the financial position for Local Government has many uncertainties, and these will impact on future financial and service planning but at this point the Council is positioned well, and with a strong reserves base to meet any challenges that arise. Councillors and Officers will be working together to make sure that financial plans are updated to reflect any new targets which may arise.

The refresh of the Council Plan in 2023 is an exciting opportunity to ensure the priorities remain up to date. In the short time since the Council Plan was originally published the Council has taken on a number of significant new areas of work, in particular the support of community hubs throughout the cost of living crisis and work to support those who are fleeing conflict. These new objectives are likely to be reflected in the upcoming plan.

The Council's Fit for the Future plan continues to help the Council modernise with a view to making the Council more efficient and improve the Customer experience. Over the next twelve months a key focus of the Fit for Future plan will be to consider an asset based approach to community engagement as part of the Community Connections workstream.

In May 2024 the Council has "all out" elections with all 51 Councillors due for election. In this final year of the electoral term the Council remains committed to achieving the objectives of the Council Plan. Plans are also being made for the election. This is not only about the smooth operation of the elections themselves but for the effective induction of the newly elected members. The Council's member development working group is putting together a comprehensive induction programme to help bring any new members onboard.

Overall Position

The last financial year has undoubtedly been one of significant challenge, not only in terms of the Council's own financial position, but also through our work to support our residents and business in the midst of a Cost-of-Living Crisis. However, the financial position remains strong and the Council is looking forward with confidence to the future. The recent LGA Peer Review reflects ongoing good performance and there is already preparation for the elections to come in 2024. Therefore, Stroud District Council looks forward to continued successes in all aspects of its Council Plan in 2023/24.

Summary of the Core Financial Statements

The Statement of Accounts summarises the Council's financial performance and cash flows for the 2022/23 financial year from 1 April 2022 to 31 March 2023 and its position at the financial year-end of 31 March 2023.

There are five core financial statements:

Expenditure and Funding Analysis (page 18)

This statement shows how the Council's annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) compared with those resources consumed or earned by the Council in accordance with generally accepted accounting practices.

Comprehensive Income and Expenditure Statement (page 20)

This statement shows the accounting cost in the year of providing the Council's services.

Movement in Reserves Statement (page 21)

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. Usable reserves increased by £4.077m in 2022/23, (2022/23 £59.363m, 2021/22 £55.286m), with unusable reserves increasing by £47.518m (2022/23 £245.563m, 2021/22 £198.045m).

Balance Sheet (page 23)

This statement shows the assets and liabilities of the Council. The Total Net Worth of the Council increased by £51.595m in the year (2022/23 £304.926m, 2021/22 £253.331m).

Cash Flow Statement (page 24)

This statement shows the changes in cash and cash equivalents in the year. There was an decrease in cash and cash equivalents of £7.922m (2022/23 £16.739m, 2021/22 £24.661m).

These are further supported by **supplementary financial statements** for:

Housing Revenue Account Income and Expenditure Statement (page 88)

This statement shows the economic cost in the year of providing Housing services through the HRA.

Collection Fund Statement (page 94)

This statement shows the Council Tax and Non-Domestic Rates (NNDR) income received in the year less precepts and charges to the collection fund. Overall, the deficit on the NNDR element has decreased by £6.554m (2022/23 £1.157m deficit, 2021/22 £7.711m deficit). There is also a decrease in the Council Tax deficit of £0.189m (2022/23 £0.490m deficit, 2021/22 £0.679m deficit).

Statement of Responsibilities for the Statement of Accounts

The Council's responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that the Section 151 Officer has responsibility for the administration of those affairs.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Section 151 Officer's responsibilities

The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts (which includes the financial statements) in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Council Accounting in the United Kingdom* (the 'Code').

In preparing this Statement of Accounts, the Section 151 Officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the local Council Code.

The Section 151 officer has also:

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council at 31 March 2023 and of its income and expenditure for the year then ended.

Signed:



Andrew Cummings
Section 151 Officer

Date:

31 May 2023

Core Financial Statements

Core Financial Statements, Notes to the Core Financial Statements and Supplementary Financial Statements may contain roundings (see Glossary) which affects the arithmetic accuracy of the figures.

Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the Council (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision-making purposes between the Council's committees. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

During 2022/23 Development Control Committee assumed responsibility for development control budgets and this categorisation has been included in the Expenditure and Funding Analysis and the Comprehensive Income and Expenditure Statement. This service area previously reported to Environment Committee. A revised comparison has been included for 2021/22 but there is no change to the reported expenditure and income.

Expenditure and Funding Analysis

| 2021/22 | | | 2022/23 | | | |
|---|---|---|--|---|---|---|
| Net Expenditure Chargeable to the General Fund and HRA Balances | Adjustments between the Funding and Accounting Basis <i>(Note 7)</i> | Net Expenditure in the Comprehensive Income and Expenditure Statement | | Net Expenditure Chargeable to the General Fund and HRA Balances | Adjustments between the Funding and Accounting Basis <i>(Note 7)</i> | Net Expenditure in the Comprehensive Income and Expenditure Statement |
| <i>Figures in £000s</i> | | | | | | |
| Expenditure on Council Services | | | | | | |
| 3,788 | -2,299 | 6,087 | Community Services Committee | 3,306 | -2,337 | 5,642 |
| 33 | -765 | 797 | Development Control Committee | 717 | -788 | 1,506 |
| 4,827 | -6,367 | 11,194 | Environment Committee | 6,233 | -4,579 | 10,812 |
| 564 | -2,617 | 3,181 | Housing Committee - General Fund | 527 | -1,662 | 2,189 |
| -1,068 | 3,950 | -5,018 | Housing Committee - Housing Revenue Account | -207 | -484 | 277 |
| 6,990 | -1,518 | 8,509 | Strategy & Resources Committee | 7,888 | 4,595 | 3,293 |
| 15,135 | -9,614 | 24,750 | Net cost of services | 18,464 | -5,255 | 23,719 |
| -15,032 | 11,284 | -26,317 | Other income and expenditure | -17,043 | 3,851 | -20,894 |
| 103 | 1,670 | -1,567 | Surplus (-) or deficit on Provision of Services | 1,421 | -1,404 | 2,825 |
| -37,651 | | | Opening General Fund and HRA balance | -37,548 | | |
| 103 | | | Surplus or deficit on General Fund and HRA balance in year | 1,421 | | |
| -37,548 | | | Closing General Fund and HRA Balance | -36,128 | | |
| General Fund Balance | Housing Revenue Account Balance | Total Balances | | General Fund Balance | Housing Revenue Account Balance | Total Balances |
| -27,373 | -10,279 | -37,651 | Opening balance | -26,202 | -11,347 | -37,548 |
| 1,171 | -1,068 | 103 | Surplus (-) / deficit | 1,628 | -207 | 1,421 |
| -26,202 | -11,347 | -37,548 | Closing balance | -24,574 | -11,554 | -36,128 |

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Comprehensive Income and Expenditure Statement

| 2021/22 | | | | 2022/23 | | | |
|--|----------------|-----------------|--|-------------------|----------------|-----------------|-------|
| Gross expenditure | Gross income | Net expenditure | | Gross expenditure | Gross income | Net expenditure | Notes |
| <i>Figures in £000s</i> | | | | | | | |
| Expenditure on Council Services | | | | | | | |
| 25,548 | -19,461 | 6,087 | Community Services Committee | 26,000 | -20,358 | 5,642 | |
| 2,203 | -1,405 | 797 | Development Control Committee | 2,568 | -1,062 | 1,506 | |
| 16,174 | -4,980 | 11,194 | Environment Committee | 15,321 | -4,509 | 10,812 | |
| 3,774 | -593 | 3,181 | Housing Committee - General Fund | 3,245 | -1,056 | 2,189 | |
| 18,236 | -23,255 | -5,018 | Housing Committee - Housing Revenue Account | 24,655 | -24,378 | 277 | |
| 11,304 | -2,796 | 8,509 | Strategy & Resources Committee | 5,830 | -2,537 | 3,293 | |
| 77,239 | -52,490 | 24,750 | Surplus (-) / Deficit on Operations | 77,619 | -53,900 | 23,719 | |
| 4,996 | -1,304 | 3,692 | Other Operating Expenditure | 4,807 | -2,116 | 2,691 | 11 |
| 3,734 | -422 | 3,313 | Financing & Investment Income & Expenditure | 6,404 | -1,762 | 4,642 | 12 |
| - | -33,322 | -33,322 | Taxation & Non-Specific Grant Income | - | -28,227 | -28,227 | 13 |
| | | -1,567 | Surplus (-) / Deficit on Provision of Services | | | 2,825 | |
| | | -19,824 | Surplus (-) / deficit on revaluation of property, plant & equipment assets | | | -10,996 | 26 |
| | | -14,559 | Actuarial remeasurement gains (-) / losses on pension assets / liabilities | | | -43,425 | 33 |
| | | -34,383 | Other Comprehensive Income & Expenditure | | | -54,421 | |
| | | -35,950 | Total Comprehensive Income & Expenditure | | | -51,596 | |

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The net increase/decrease line shows the statutory general fund balance and Housing Revenue Account (HRA) balance movements in the year following those adjustments.

Movement in Reserves Statement 2022/23

| | (a) General Fund Balance £000 | (b) Housing Revenue Account £000 | (c) Major Repairs Reserve £000 | (d) Capital Receipts Reserve £000 | (e) Capital Grants Unapplied £000 | (f) Total Usable Reserves £000 | (g) Unusable Reserves £000 | (h) Total Authority Reserves £000 |
|--|---|--|--|---|---|--|-------------------------------------|---|
| Balance at 31 March 2022 | 26,202 | 11,347 | 4,556 | 10,042 | 3,139 | 55,286 | 198,045 | 253,331 |
| Surplus or (deficit) on provision of services (accounting basis) | -1,368 | -1,457 | - | - | - | -2,825 | - | -2,825 |
| Other Comprehensive Income & Expenditure | - | - | - | - | - | - | 54,421 | 54,421 |
| Total Comprehensive Income & Expenditure | -1,368 | -1,457 | - | - | - | -2,825 | 54,421 | 51,596 |
| Adjustments between accounting basis & funding basis under regulations | -260 | 1,664 | -1,109 | 4,030 | 2,576 | 6,902 | -6,902 | - |
| Increase / (Decrease) in Year | -1,628 | 207 | -1,109 | 4,030 | 2,576 | 4,077 | 47,519 | 51,596 |
| Balance at 31 March 2023 | 24,574 | 11,554 | 3,447 | 14,073 | 5,715 | 59,363 | 245,563 | 304,926 |

| General Fund and HRA balance analysed over | General Fund £000 | HRA £000 | Total £000 |
|---|-------------------------|---------------|---------------|
| Amounts earmarked | 22,404 | 7,436 | 29,840 |
| Amounts uncommitted | 2,169 | 4,118 | 6,287 |
| Total General Fund and HRA balance as at 31 March 2023 | 24,574 | 11,554 | 36,128 |

Movement in Reserves Statement 2021/22

| | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) |
|--|----------------------|-------------------------|-----------------------|--------------------------|--------------------------|-----------------------|-------------------|--------------------------|
| | General Fund Balance | Housing Revenue Account | Major Repairs Reserve | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
| Notes | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 31 March 2021 | 27,373 | 10,279 | 5,965 | 10,259 | 938 | 54,813 | 162,567 | 217,380 |
| Surplus or (deficit) on provision of services (accounting basis) | -1,297 | 2,865 | - | - | - | 1,567 | - | 1,567 |
| Other Comprehensive Income & Expenditure | - | - | - | - | - | - | 34,383 | 34,383 |
| Total Comprehensive Income & Expenditure | -1,297 | 2,865 | - | - | - | 1,567 | 34,383 | 35,950 |
| Adjustments between accounting basis & funding basis under regulations | 127 | -1,797 | -1,409 | -216 | 2,201 | -1,094 | 1,094 | - |
| Increase / (Decrease) in Year | -1,171 | 1,068 | -1,409 | -216 | 2,201 | 473 | 35,477 | 35,950 |
| Balance at 31 March 2022 | 26,202 | 11,347 | 4,556 | 10,042 | 3,139 | 55,286 | 198,045 | 253,331 |

Appendix A

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| General Fund and HRA balance analysed over | General Fund | HRA | Total |
|---|---------------|---------------|---------------|
| | £000 | £000 | £000 |
| Amounts earmarked | 24,032 | 6,787 | 30,819 |
| Amounts uncommitted | 2,169 | 4,560 | 6,729 |
| Total General Fund and HRA balance as at 31 March 2022 | 26,202 | 11,347 | 37,548 |

Balance Sheet

| Balance Sheet | | | |
|----------------------|--------------------------------------|--------------|----------------------|
| 31 March 2022 | | Notes | 31 March 2023 |
| £000 | | | £000 |
| 357,028 | Property, Plant & Equipment | 14 | 365,065 |
| 140 | Heritage Assets | 15 | 140 |
| - | Intangible Assets | | - |
| 10,750 | Long-term Investments | 18 | 8,957 |
| 287 | Long-term Debtors | 18 | 222 |
| - | Other Long-term Assets | 33 | 1,199 |
| 368,205 | Long-term Assets | | 375,583 |
| 28,814 | Short-term Investments | 18 | 29,302 |
| 174 | Assets Held for Sale | 22 | 89 |
| 12,656 | Short-term Debtors | 20 | 16,320 |
| 24,661 | Cash and Cash Equivalents | 21 | 16,739 |
| 66,305 | Current Assets | | 62,450 |
| -2,000 | Short-term Borrowing | 18 | - |
| -23,205 | Short-term Creditors | 23 | -19,917 |
| -1,037 | Grants Receipts in Advance (Revenue) | 35 | -241 |
| -11,323 | Grants Receipts in Advance (Capital) | 35 | -9,224 |
| -37,565 | Current Liabilities | | -29,382 |
| -2,186 | Long-term Creditors | 23 | -2,125 |
| -1,151 | Provisions | 24 | -883 |
| -100,717 | Long-term Borrowing | 18 | -100,717 |
| -39,560 | Other Long-Term Liabilities | 33 | - |
| -143,615 | Long-term Liabilities | | -103,724 |
| 253,331 | Net Assets | | 304,926 |
| 55,286 | Usable Reserves | 25 | 59,363 |
| 198,045 | Unusable Reserves | 26 | 245,563 |
| 253,331 | Total Reserves | | 304,926 |

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. Usable reserves are those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitation on their use (for example the Capital

Receipts Reserve that may only be used to fund capital expenditure or repay debt). Unusable reserves are reserves that the Council may not use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Cash Flow Statement

| 31 March 2022 £000 | | <i>Notes</i> | 31 March 2023 £000 |
|--------------------------|--|--------------|-----------------------------|
| -1,567 | Net surplus (-) or deficit on the provision of services | | 2,825 |
| -21,513 | Adjust net surplus or deficit on the provision of services for non-cash movements | 27 | -10,159 |
| 2,588 | Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | | 4,890 |
| -20,492 | Net cash flows from Operating Activities | | -2,444 |
| 15,086 | Investing Activities | 28 | 8,366 |
| - | Financing Activities | 29 | 2,000 |
| -5,406 | Net increase (-) or decrease in cash and cash equivalents | | 7,922 |
| 19,255 | Net cash and cash equivalents at the beginning of the reporting period | | 24,661 |
| 24,661 | Net cash and cash equivalents at the end of the reporting period | 21 | 16,739 |

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

(a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the *Code of Practice on Local Council Accounting in the United Kingdom 2022/23* supported by International Financial Reporting Standards (IFRS).

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

(b) Accruals of Income and Expenditure

Activity is accounted for in the year it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure, on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

(c) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months 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.

(d) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. There are none to be disclosed in this Statement of Accounts.

(e) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the services where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance - Minimum Revenue Provision (MRP), by way of an adjusting transaction, with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

(f) Council Tax and Non-Domestic Rates

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 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 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

(g) Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlement (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 wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement to the accumulated absences account so that holiday entitlements 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 decisions 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 appropriate service segment in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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 the pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for

pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

(h) Post-employment Benefits

Most employees of the Council are members of the Local Government Pension Scheme, administered by Gloucestershire County Council. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme

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

- The liabilities of the Gloucestershire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.75% (2.7% in 2021/22) at the IAS19 valuation date (based on the indicative rate of return on high quality corporate bonds – iBoxx AA corporate bond index).
- The assets of the Gloucestershire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price.
 - Unquoted securities – professional estimate.
 - Unitised securities – current bid price.
 - Property – market value.
- The change in the net pensions liability is analysed into the following components:

Service Cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities arising from scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Net interest on the net defined liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- Return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – 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 as Other Comprehensive Income and Expenditure.
- Contributions paid to the Gloucestershire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

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

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. 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.

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

(j) Financial Instruments

Financial Liabilities

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

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

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

Financial Assets

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. There are three main classes of financial assets measured at:

- Amortised cost.
- Fair value through profit or loss (FVPL).
- Fair value through other comprehensive income (FVOCI) [separate accounting policy is required where an authority holds financial instruments at fair value through other comprehensive income].

The Council'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 Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the

instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of 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.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at Fair Value through Profit or Loss 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.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price.
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

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

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

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

(k) Foreign Currency Translation

If the Council entered into a transaction denominated in a foreign currency, the transaction would be converted into sterling at the exchange rate applicable on the date the transaction

was effective. If amounts in foreign currency were outstanding at the year-end, they would be reconverted at the spot exchange rate at 31 March. Resulting gains or losses would be recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

(I) Government Grants and Contributions

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

- The Council will comply with the conditions attached to the payments.
- 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 contributions have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using grant or contribution are required to be consumed by the recipient as specified, or future economic benefits, or service potential, must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Community Infrastructure Levy

The authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement, in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges (for this Council) may be used to fund revenue expenditure.

(m) Heritage Assets

Heritage assets are defined as assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

Assets owned by the Council at 31 March 2023 that fit the definition of heritage assets are:

Nailsworth Fountain
Stroud from Rodborough Fort, painting c1850 by A N Smith
The Arch, Paganhill
Warwick Vase
Woodchester Mansion

These assets are held at cost. The carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see note (s) in this summary of significant accounting policies. Should a heritage asset be disposed of the proceeds would be accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

(n) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

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

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

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

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

(o) Interests in Companies and Other Entities

The Council is required to consider all its interests (including those in local authorities and similar bodies) and to prepare a full set of Group Financial Statements where they have material interests in subsidiaries, associates or joint ventures. The canal phase 1A project required that significant sums of money were managed by the Council to deliver this major infrastructure scheme by the end of 2017, which included £12.7m of grant from the Heritage Lottery Fund. The Council is now working on the implementation of phase 1B, which is a £25m project to link to the national canal network. Many of the land aspects of this project are managed separately by the Stroud Valleys Canal Company. The Council has membership of the Company, but does not have access to benefits or exposure to the risk of a potential loss so there is no group relationship.

Ubico Ltd. was originally formed in 2012 as a company wholly owned by its shareholders. Cheltenham Borough Council, Cotswold District Council, Forest of Dean District Council, Gloucester City Council, Gloucestershire County Council, Tewkesbury Borough Council, West Oxfordshire District Council and Stroud District Council are the current owners. Each of the eight local authorities are equal 12.5% shareholders. The company is responsible for delivering the shareholders' environmental services such as refuse and recycling within their respective council boundaries. Stroud District Council joined in January 2016 and in July 2016 Ubico Ltd. took over delivery of the waste and recycling service from Veolia Ltd. Since Stroud District Council does not exercise control or joint control or significant influence over the company, its accounts have not been consolidated into the group accounts, however full disclosure notes are provided.

(p) Inventories and Long-term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

(q) Leases

Leases are classified as finance leases when 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 building elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating leases

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

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain

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

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received).
- 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. 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 Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the 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.

(r) Overheads and Support Services

The costs of overheads and support services are charged to the Committee that benefits from the supply or service in accordance with the Council's arrangements for accountability and financial performance.

(s) Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council 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 (e.g. repairs and maintenance) is charged as an expense when it is incurred.

The Council's capitalisation de minimis is £20,000, except where the sum of the assets is significant, such as public conveniences and car parks. Additionally, items below the de minimis limit may be capitalised and included on the asset register if, for example, they are deemed portable and attractive.

Assets are componentised if the cost of the component is more than 25% of the cost of the whole asset, and the cost of the component is more than £0.5m. This is subject to the overriding requirement that not componentising would result in a material misstatement of depreciation.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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 Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets 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.

Assets are then carried in 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).
- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant’s perspective.
- All other classes of asset – 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 there are non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at year-end but, as a minimum, every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gain).
- 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 in the first full year and in full in the final year 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 life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – straight-line allocation of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.
- Infrastructure – straight-line allocation up to 30 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.

Disposals and Non-Current 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. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

In 2022/23 Stroud District Council has a new agreement in place with Government which allows all housing capital receipts to be retained. In previous years a proportion of capital receipts relating to housing disposals has been payable to the Government.

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

Capitalisation of Salaries

The Council may capitalise salaries where employees work full-time on a project. In the case of computer software installations, the cost of software consultants' time will be included within the overall cost of a capital scheme.

(t) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also

arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

(u) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

(v) Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions, but does not result in the creation of a non-current asset, has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of council tax.

(w) Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from His Majesty's Revenue & Customs. VAT receivable is excluded from income.

2. Accounting Standards Issued, not Adopted

The following changes in accounting standards will be introduced in the 2023/24 Code:

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

These amendments will not have a material impact on the financial statements or balances of the Council.

3. Critical Judgements in Applying Accounting Policies

Other than critical assumptions covered in Note 4, in applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions. The critical judgements made in the Statement of Accounts are:

- The Council has applied its judgement that there is no group relationship arising from the Canal works. The Council was successful in October 2020 in being awarded £8.9m funding from the Heritage Lottery Fund (HLF) to deliver a £25m Phase 1B canal restoration project, which will see the Stroudwater Navigation linked to the national canal network. Phase 1A of the canal restoration project from The Ocean in Stonehouse to Bowbridge in Stroud was concluded in 2017 and included £12m of HLF funding. The restored canal is owned and managed by the Stroud Valleys Canal Company (SVCC). A group relationship between the Council and the SVCC does not exist because the Council does not have access to benefits or exposure to risk of a potential loss from the restored canal.
- Stroud District Council has a 12.5% shareholding in a not-for-profit local authority company called Ubico Ltd., which provides environmental services (street cleaning, refuse collection, recycling and grounds maintenance). The fair value of the Council's interest in the company at 31 March 2023 is considered to be nil, since it is a wholly local authority owned not-for-profit 'Teckal' company. The company (registration No. 07824292) is limited by share capital and governed by its Memorandum and Articles of Association. The liability in respect of the shares is set out in the Memorandum of Association and is limited to £1 per member of the company, of which there are eight at 31 March 2023. There is no group relationship.

The Council purchases vehicles that are utilised by Ubico Ltd. in the provision of services to the Council. As substantially all the rights of ownership are retained by the Council and the vehicles are used exclusively for the benefit of Stroud District Council, they have been accounted for as assets within Property, Plant and Equipment. Those vehicles have a net book value of £2.2m.

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. The Council has been reviewing property assets and transferring them to other local organisations where the opportunity arises.

4. Assumptions made about the Future and other Major Sources of Estimation Uncertainty

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

As well as the items described in Note 3, the items in the Council's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|--------------------|--|---|
| Pensions Liability | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries, Hymans Robertson LLP, is engaged to provide the Council with expert advice about the assumptions to be applied. | The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £9.930m (2021/22 £14.675m). However, the assumptions interact in complex ways. During 2022/23, the Council's actuaries advised that their remeasurements had decreased the net pension liability by £43.425m (decrease of £14.559m 2021/22) part of an overall decrease of £40.759m (decrease of £11.644m 2021/22). |
| PPE | Valuations of property, plant and equipment are carried out in accordance with the CIPFA Code of Practice. | A 0.5% under or over estimation of the value of PPE equates to £1.825m of the £365m PPE net book value. |
| Arrears | At 31 March 2023 the Council had a short-term debtor balance of £18.513m and a bad debt provision of £2.193m or 11.8% of the debt. If collection rates were to deteriorate, | If collection rates were to deteriorate, an additional bad debt provision would have to be made. See notes 18, 19 and 20 for further details of debt outstanding. |

| | | |
|--|---|--|
| | an additional bad debt provision would have to be made. | |
|--|---|--|

5. Material Items of Income and Expense

The nature and amount of material items not separately disclosed on the face of the Comprehensive Income and Expenditure Statement are as follows:

- Decrease in net pension fund liabilities of £40.759m (see note 33).
- HRA capital programme which includes new build properties and acquisitions was £9.7m (2021/22 £14.2m). For more detail see note 4 of the HRA financial statements on page 91.

6. Events after the Balance Sheet Date

There are no material events after the Balance Sheet date to disclose.

7. Note to the Expenditure and Funding Analysis

Note to the Expenditure and Funding Analysis

| | Adjustments between Funding and Accounting Basis 2022/23 | | | |
|--|--|---|-------------------------------------|------------------------------|
| | Adjustments for Capital Purposes (a) £000 | Net change for the Pensions Adjustments (b) £000 | Other Differences (c) £000 | Total Adjustments £000 |
| Expenditure on Council Services | | | | |
| Community Services Committee | -1,331 | -375 | -631 | -2,337 |
| Development Control Committee | - | -138 | -650 | -788 |
| Environment Committee | -2,535 | -269 | -1,774 | -4,579 |
| Housing Committee - General Fund | -1,251 | -57 | -354 | -1,662 |
| Housing Committee - Housing Revenue Account | -1,174 | -704 | 1,394 | -484 |
| Strategy & Resources Committee | 468 | -376 | 4,503 | 4,595 |
| Net cost of services | -5,824 | -1,919 | 2,488 | -5,255 |
| Other income and expenditure from the expenditure and funding analysis | - | -747 | 4,598 | 3,851 |
| Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services | -5,824 | -2,666 | 7,086 | -1,404 |

Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2021/22

| | Adjustments for Capital Purposes (a) £000 | Net change for the Pensions Adjustments (b) £000 | Other Differences (c) £000 | Total Adjustments £000 |
|--|---|---|-------------------------------------|------------------------------|
| Expenditure on Council Services | | | | |
| Community Services Committee | -1,225 | -402 | -672 | -2,299 |
| Development Control Committee | - | -161 | -604 | -765 |
| Environment Committee | -4,228 | -299 | -1,840 | -6,367 |
| Housing Committee - General Fund | -2,254 | -60 | -302 | -2,617 |
| Housing Committee - Housing Revenue Account | 2,003 | -756 | 2,703 | 3,950 |
| Strategy & Resources Committee | -1,034 | -468 | -16 | -1,518 |
| Net cost of services | -6,738 | -2,145 | -731 | -9,614 |
| | | | | |
| Other income and expenditure from the expenditure and funding analysis | 49 | -770 | 12,005 | 11,284 |
| Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services | -6,689 | -2,915 | 11,274 | 1,670 |

The Note to the Expenditure and Funding Analysis for 2021/22 has been adjusted to reflect the responsibility for each Committee in 2022/23. There is no change to the reported position, only the breakdown by committee. The development control service, now reporting to Development Control Committee, was previously reported to Environment Committee.

(a) Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

Other Operating Expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and Investment Income and Expenditure – the statutory charges for capital financing, i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and Non-Specific Grant Income and Expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

(b) Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension-related expenditure and income:

For Services – this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

For Financing and Investment Income and Expenditure – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

(c) Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For Financing and Investment Income and Expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

The charge under **Taxation and Non-Specific Grant Income and Expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year, and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

8. Expenditure and Income Analysed by Nature

| Expenditure and Income Analysed by Nature | | |
|--|----------------|----------------|
| | 2021/22 | 2022/23 |
| | £000 | £000 |
| Expenditure | | |
| Employee benefits expenses | 19,497 | 20,341 |
| Other services expenses | 41,746 | 40,635 |
| Depreciation, amortisation, impairment | 15,551 | 15,179 |
| Revaluations of property and assets | -373 | 3,351 |
| Interest payments | 4,553 | 4,516 |
| Precepts and levies | 4,535 | 4,807 |
| Payments to housing capital receipts pool | 461 | 0 |
| Total Expenditure | 85,970 | 88,829 |
| Income | | |
| Fees, charges and other service income | -31,760 | -33,859 |
| Interest and investment income | -418 | -1,696 |
| Gain (-) or loss on disposal of assets | -1,304 | -2,116 |
| Income from council tax and non-domestic rates | -18,967 | -19,977 |
| Grants and contributions | -35,088 | -28,357 |
| Total Income | -87,537 | -86,004 |
| Surplus (-) or Deficit on the Provision of Services | -1,567 | 2,825 |

9. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year, in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

Adjustments between Accounting Basis and Funding Basis under Regulations 2022/23

| 2022/23 | Usable Reserves | | | | | Movement in Unusable Reserves £000 |
|---|------------------------------|---------------------------------|-------------------------------|----------------------------------|----------------------------------|---------------------------------------|
| | General Fund Balance £000 | Housing Revenue Account £000 | Major Repairs Reserve £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | |
| Adjustments to the Revenue Resources | | | | | | |
| <i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i> | | | | | | |
| Pensions costs (transferred to (or from) the Pensions Reserve) | 1,962 | 704 | - | - | - | -2,666 |
| Council tax and NDR (transfers to or from Collection Fund Adjustment Account) | -2,630 | - | - | - | - | 2,630 |
| Holiday pay (transferred to the Accumulated Absences Reserve) | -43 | -17 | - | - | - | 60 |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | 6,414 | 10,322 | - | - | - | -16,737 |
| Reversal of Gains/losses on investments | 1,793 | - | - | - | - | -1,793 |
| Total Adjustments to Revenue Resources | 7,497 | 11,009 | - | - | - | -18,506 |
| Adjustments between Revenue and Capital Resources | | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | - | -4,890 | - | 4,890 | - | - |
| Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve) | - | 33 | - | -33 | - | - |
| Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement | 26 | 2,716 | - | - | - | -2,742 |
| Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve) | - | - | - | - | - | - |
| Posting of HRA resources from revenue to the Major Repairs Reserve | - | -6,615 | 6,615 | - | - | - |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) | -1,050 | - | - | - | - | 1,050 |
| Total Adjustments between Revenue and Capital Resources | -1,024 | -8,757 | 6,615 | 4,858 | - | -1,692 |
| Adjustments to Capital Resources | | | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | - | - | - | -827 | - | 827 |
| Use of the Major Repairs Reserve to finance capital expenditure | - | - | -7,724 | - | - | 7,724 |
| Application of capital grants to finance capital expenditure | -5,992 | -197 | - | - | 2,576 | 3,613 |
| Capital expenditure charged against the General Fund and HRA balances | -740 | -391 | - | - | - | 1,131 |
| Total Adjustments to Capital Resources | -6,733 | -588 | -7,724 | -827 | 2,576 | 13,296 |
| Adjustments between accounting basis & funding basis under regulations | -260 | 1,664 | -1,109 | 4,030 | 2,576 | -6,902 |

Adjustments between Accounting Basis and Funding Basis under Regulations 2021/22

| 2021/22 | Usable Reserves | | | | | Movement in Unusable Reserves £000 |
|---|------------------------------------|---------------------------------------|-------------------------------------|--|--|---|
| | General Fund Balance £000 | Housing Revenue Account £000 | Major Repairs Reserve £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | |
| Adjustments to the Revenue Resources | | | | | | |
| <i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i> | | | | | | |
| Pensions costs (transferred to (or from) the Pensions Reserve) | 2,160 | 756 | - | - | - | -2,915 |
| Council tax and NDR (transfers to or from Collection Fund Adjustment Account) | -1,765 | - | - | - | - | 1,765 |
| Holiday pay (transferred to the Accumulated Absences Reserve) | -54 | -21 | - | - | - | 75 |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | 9,965 | 6,097 | - | - | - | -16,062 |
| Reversal of Gains/losses on investments | -884 | - | - | - | - | 884 |
| Total Adjustments to Revenue Resources | 9,422 | 6,832 | - | - | - | -16,254 |
| Adjustments between Revenue and Capital Resources | | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | -183 | -2,405 | - | 2,588 | - | - |
| Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve) | - | 13 | - | -13 | - | - |
| Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement | 142 | 1,129 | - | - | - | -1,271 |
| Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve) | 461 | - | - | -461 | - | - |
| Posting of HRA resources from revenue to the Major Repairs Reserve | - | -6,681 | 6,681 | - | - | - |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) | -875 | - | - | -145 | - | 1,020 |
| Total Adjustments between Revenue and Capital Resources | -455 | -7,944 | 6,681 | 1,969 | - | -251 |
| Adjustments to Capital Resources | | | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | - | - | - | -2,185 | - | 2,185 |
| Use of the Major Repairs Reserve to finance capital expenditure | - | - | -8,091 | - | - | 8,091 |
| Application of capital grants to finance capital expenditure | -8,483 | -528 | - | - | 2,201 | 6,811 |
| Capital expenditure charged against the General Fund and HRA balances | -357 | -156 | - | - | - | 513 |
| Total Adjustments to Capital Resources | -8,840 | -684 | -8,091 | -2,185 | 2,201 | 17,599 |
| Adjustments between accounting basis & funding basis under regulations | 127 | -1,797 | -1,409 | -216 | 2,201 | 1,094 |

10. Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure 2022/23.

| Transfers to / from Earmarked Reserves 2022/23 | | | | | | | |
|---|-----------------|---------------|--------------|-----------------|---------------|--------------|-----------------|
| | Balance | Transfers | Transfers | Balance | Transfers | Transfers | Balance |
| | 31 March | From | To | 31 March | From | To | 31 March |
| | 2021 | 2021/22 | 2021/22 | 2022 | 2022/23 | 2022/23 | 2023 |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| General Fund: | | | | | | | |
| Brexit reserve | 53 | - | - | 53 | -53 | - | - |
| Building control shared service | 75 | -24 | - | 51 | -65 | - | -14 |
| Brimscombe Port Redevelopment | 397 | - | 62 | 459 | -538 | 78 | - |
| Business rates pilot | 976 | -22 | 399 | 1,353 | -274 | - | 1,080 |
| Business rates safety net | 2,492 | - | 641 | 3,133 | - | 500 | 3,633 |
| Capital | 3,601 | -49 | - | 3,552 | -529 | - | 3,023 |
| Climate change | 438 | -44 | 80 | 475 | -113 | 289 | 651 |
| Collection Fund Smoothing reserve | 5,235 | -4,325 | 2,325 | 3,235 | -2,868 | 238 | 605 |
| Community infrastructure levy | 1,001 | -1,001 | - | - | - | - | - |
| Covid-19 recovery | 553 | -265 | 23 | 312 | -57 | - | 255 |
| Culture, arts and leisure reserve | 117 | -77 | 30 | 69 | -77 | 553 | 545 |
| General Fund carry forwards | 975 | -825 | 566 | 716 | -566 | 1,096 | 1,246 |
| Homelessness prevention | 98 | - | 143 | 240 | - | 102 | 342 |
| Investment risk | 310 | - | - | 310 | - | 510 | 820 |
| Legal counsel | 50 | - | - | 50 | - | - | 50 |
| MTFP equalisation | 6,846 | - | 1 | 6,847 | -259 | - | 6,588 |
| Neighbourhood planning grant | 12 | - | - | 12 | -12 | - | - |
| Opportunity land purchase | 250 | - | - | 250 | - | - | 250 |
| PDG | 31 | - | - | 31 | -31 | - | - |
| Planning appeal costs | 100 | - | - | 100 | -100 | 50 | 50 |
| Projects | - | - | 907 | 907 | -387 | 824 | 1,344 |
| Redundancy | 250 | - | - | 250 | - | - | 250 |
| Repairs and replacement | 304 | - | 267 | 570 | -60 | 99 | 609 |
| Street cleaning funding | 17 | - | - | 17 | - | - | 17 |
| Transformation | 393 | -293 | - | 100 | - | 180 | 280 |
| Waste management | 600 | - | 311 | 911 | -180 | 20 | 751 |
| Welfare reform | 30 | - | - | 30 | - | - | 30 |
| Total earmarked reserves - General Fund | 25,203 | -6,925 | 5,755 | 24,032 | -6,167 | 4,539 | 22,404 |
| HRA: | | | | | | | |
| HRA earmarked reserve | 5,668 | -1,007 | 2,126 | 6,787 | -1,964 | 2,613 | 7,436 |
| Total earmarked reserves - HRA | 5,668 | -1,007 | 2,126 | 6,787 | -1,964 | 2,613 | 7,436 |
| Total earmarked reserves | 30,871 | -7,932 | 7,881 | 30,819 | -8,131 | 7,152 | 29,840 |

11. Other Operating Expenditure

| Other Operating Expenditure | |
|--|----------------|
| 2021/22 | 2022/23 |
| £000 | £000 |
| 4,380 | 4,635 |
| 155 | 171 |
| 461 | - |
| | |
| -1,304 | -2,116 |
| 3,692 | 2,691 |
| Total Other Operating Expenditure | |

12. Financing and Investment Income and Expenditure

| Financing & Investment Income & Expenditure | |
|--|----------------|
| 2021/22 | 2022/23 |
| £000 | £000 |
| 3,512 | 3,507 |
| 1,041 | 1,009 |
| -418 | -1,696 |
| -4 | -66 |
| -884 | 1,793 |
| 65 | 94 |
| 3,313 | 4,642 |
| Total Financing & Investment Income & Expenditure | |

13. Taxation and Non-Specific Grant Income

| Taxation & Non-Specific Grant Income | |
|---|----------------|
| 2021/22 | 2022/23 |
| £000 | £000 |
| -14,319 | -14,914 |
| -4,648 | -5,063 |
| -6,344 | -2,061 |
| -8,011 | -6,189 |
| -33,322 | -28,227 |
| Total Taxation & Non-Specific Grant Income | |

14. Property, Plant and Equipment

| Property, Plant and Equipment | | | | | | |
|--|---------------------------|--|----------------------------------|---|--------------------------------|---|
| Movements in 2022/23 | Council dwellings £000 | Council dwellings under construction £000 | Other land & buildings * £000 | Vehicles, plant furniture & equipment £000 | Infra-structure assets £000 | Total property, plant & equipment £000 |
| Cost or valuation | | | | | | |
| At 1 April 2022 | 300,335 | 6,303 | 47,155 | 11,978 | 228 | 365,999 |
| Additions | 8,150 | 1,408 | 2,150 | 982 | - | 12,690 |
| Donations | - | - | - | - | - | - |
| Revaluation increases / decreases (-) recognised in the Revaluation Reserve | 10,393 | - | 603 | - | - | 10,996 |
| Revaluation increases / decreases (-) recognised in the Surplus / Deficit on the Provision of Services | -10,350 | - | -804 | -78 | - | -11,232 |
| Derecognition - disposals | -1,768 | - | -25 | - | - | -1,793 |
| Derecognition - disposals recognised in revaluation reserve | -494 | - | -281 | - | - | -775 |
| Transfers | 4,767 | -4,767 | -37 | - | - | -37 |
| At 31 March 2023 | 311,033 | 2,944 | 48,761 | 12,882 | 228 | 375,848 |
| Accumulated Depreciation & Impairment | | | | | | |
| At 1 April 2022 | - | - | -1,337 | -7,503 | -125 | -8,965 |
| Depreciation charge | -6,592 | - | -539 | -1,488 | -11 | -8,630 |
| Depreciation written out to the Revaluation Reserve | - | - | -898 | - | - | -898 |
| Depreciation written out to the Surplus / Deficit on the Provision of Services | 6,592 | - | 1,113 | 10 | - | 7,715 |
| Impairment losses / (reversals) recognised in the Revaluation Reserve | - | - | - | - | - | - |
| Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services | - | - | - | - | - | - |
| At 31 March 2023 | - | - | -1,661 | -8,981 | -136 | -10,778 |
| Net Book Value | | | | | | |
| At 31 March 2023 | 311,033 | 2,944 | 47,100 | 3,901 | 92 | 365,064 |
| At 31 March 2022 | 300,335 | 6,303 | 45,818 | 4,475 | 103 | 357,028 |

*Other land and buildings includes £54k net book value of Community Assets, and £376k net book value of Surplus Assets.

The table above includes net transfers of £37k to Assets Held for Sale.

Property, Plant and Equipment

| Movements in 2021/22 | Council dwellings | Council dwellings under construction | Other land & buildings * | Vehicles, plant furniture & equipment | Infra-structure assets | Total property, plant & equipment |
|--|-------------------|--------------------------------------|--------------------------|---------------------------------------|------------------------|-----------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or valuation | | | | | | |
| At 1 April 2021 | 274,846 | 2,955 | 47,762 | 11,231 | 228 | 337,022 |
| Additions | 9,782 | 5,035 | 2,131 | 747 | - | 17,695 |
| Donations | - | - | - | - | - | - |
| Revaluation increases / decreases (-) recognised in the Revaluation Reserve | 20,527 | - | -703 | - | - | 19,824 |
| Revaluation increases / decreases (-) recognised in the Surplus / Deficit on the Provision of Services | -6,246 | - | -930 | - | - | -7,176 |
| Derecognition - disposals | -590 | - | -140 | - | - | -730 |
| Derecognition - disposals recognised in revaluation reserve | -117 | - | -427 | - | - | -544 |
| Transfers | 2,133 | -1,687 | -538 | - | - | -92 |
| At 31 March 2022 | 300,335 | 6,303 | 47,155 | 11,978 | 228 | 365,999 |
| Accumulated Depreciation & Impairment | | | | | | |
| At 1 April 2021 | - | - | -482 | -6,060 | -114 | -6,656 |
| Depreciation charge | -6,033 | - | -519 | -1,443 | -11 | -8,006 |
| Depreciation written out to the Revaluation Reserve | - | - | -887 | - | - | -887 |
| Depreciation written out to the Surplus / Deficit on the Provision of Services | 6,033 | - | 551 | - | - | 6,584 |
| Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services | - | - | - | - | - | - |
| At 31 March 2022 | - | - | -1,337 | -7,503 | -125 | -8,965 |
| Net Book Value | | | | | | |
| At 31 March 2022 | 300,335 | 6,303 | 45,818 | 4,475 | 103 | 357,028 |
| At 31 March 2021 | 274,846 | 2,955 | 47,280 | 5,171 | 114 | 330,360 |

*Other land and buildings includes £54k net book value of Community Assets, and £379k net book value of Surplus Assets.

Depreciation

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

- Council Dwellings: 33 years.
- Buildings: 20 to 50 years.
- Vehicles, Plant, Furniture and Equipment: 3 to 15 years.
- Infrastructure: 20 to 30 years.

Capital Commitments

There are no capital contractual commitments greater than £300k as at 31 March 2023.

Revaluations

The Council carries out a rolling programme to ensure that all Property, Plant and Equipment measured at current value is revalued at least every five years, and those valuations are materially correct. In 2022/23 Bruton Knowles have valued property assets including The Pulse, The Ship Inn, Brimscombe Port Mill and Stratford Court Playing Fields. The Council's internal valuers have revalued the council houses.

Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Revaluations are as at 31 March 2023.

The basis of the valuations of property assets is shown in the Accounting Policies.

15. Heritage Assets

| Heritage Assets | | | | |
|---|---------------------|-----------|--------------|------------|
| | Heritage Properties | Painting | Warwick Vase | Total |
| | £000 | £000 | £000 | £000 |
| Cost or valuation At 31 March 2023 | 20 | 80 | 40 | 140 |

There were no transactions involving the purchase, donation, disposal or impairment during the five financial years from 2018/19 to 2022/23.

The Council's painting 'Stroud from Rodborough Fort' and the Warwick Vase are reported in the Balance Sheet at insurance valuation which is based on market values. Heritage properties are included at historic cost.

Nailsworth Fountain - a drinking fountain erected in 1862 in memory of a local solicitor, William Smith. He worked throughout his life to improve the supply of drinking water in Nailsworth. In 1938 it was moved to a new location in Old Market, and in 1963 moved again a few yards for road widening.

Stroud from near Rodborough Fort - circa 1848 painted by Alfred Newland Smith (1812–1876) depicting an extensive panoramic landscape with two groups of people in the foreground – a genteel group in fashionable clothing, and women carrying wheat sheaves; with the town of Stroud and the wider countryside stretching out beyond, depicting views of a viaduct, Stroud railway station, St. Lawrence's Church, the Great Western Railway, Holy Trinity Church and the Old Workhouse.

The Arch, Paganhill - a memorial to commemorate the abolition of slavery erected in 1834. It was built as a gateway at the end of the drive to Farmhill Park by staunch abolitionist Henry Wyatt, who owned Farmhill Park. It is inscribed 'Erected to commemorate the abolition of slavery in the British Colonies the first of August AD MDCCCXXXIV'.

Warwick Vase - a Grade II listed structure, which up until 2003 sat in the Orangery in Stratford Park. It was vandalised in 2003 and moved to a secure location. The listing description includes 'Urn in Stratford Park. Late c18th, sculpted stone, after antique. Very elaborate.' The vase is a copy of the original Warwick Vase unearthed in Italy around 1780 by the then Lord of Warwick. The piece was copied many times.

Woodchester Mansion - is a Grade I listed house in the Victorian Gothic style. It is absolutely unique because it is unfinished. Work started on the mansion in the mid-1850s. The architect was a young local man called Benjamin Bucknall. It is situated at the western end of Woodchester Park, with the village of Woodchester to the eastern end.

16. Capital Expenditure and Capital Financing

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

| Capital Expenditure and Financing | | |
|--|----------------|----------------|
| | 2021/22 | 2022/23 |
| | £000 | £000 |
| Opening Capital Financing Requirement | 111,332 | 117,058 |
| Capital Investment | | |
| Property, Plant and Equipment | 17,695 | 12,690 |
| Revenue Expenditure Funded from Capital under Statute | 6,650 | 3,743 |
| Sources of Finance | | |
| Capital receipts | -2,185 | -827 |
| Government grants and other contributions | -6,810 | -3,612 |
| Sums set aside from revenue | -8,146 | -8,810 |
| Direct revenue contributions | -458 | -45 |
| Minimum Revenue Provision | -875 | -1,050 |
| Voluntary Revenue Provision | -145 | - |
| Closing Capital Financing Requirement | 117,058 | 119,147 |
| Explanation of movement in year | | |
| Increase in underlying need to borrow (unsupported by government financial assistance) | 5,726 | 2,089 |
| Increase / decrease(-) in Capital Financing Requirement | 5,726 | 2,089 |

17. Leases

Council as Lessee

- **Finance Leases**

The Council has no assets acquired by finance lease on its Balance Sheet.

- **Operating Leases**

The Council leases in vehicles for dog wardens, pest control and the property care services and the Museum is leasing two buildings.

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

Future Minimum Lease Payments

| | 31 March 2022 £000 | 31 March 2023 £000 |
|---|-----------------------------------|-----------------------------------|
| Not later than one year | 122 | 122 |
| Later than one year and not later than five years | 161 | 184 |
| Later than five years | 85 | 85 |
| Total Future Minimum Lease Payments | 368 | 391 |

The expenditure charged to the Comprehensive Income and Expenditure Statement in relation to these leases was £122k 2022/23 (£122k 2021/22).

Council as Lessor

- **Finance Leases**

The Council has no finance leases as a lessor.

- **Operating Leases**

The Council provides vehicles to Ubico Ltd. for the delivery of waste collection and recycling services.

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

Authority as Lessor

| | 31 March 2022 £000 | 31 March 2023 £000 |
|---|-----------------------------------|-----------------------------------|
| Not later than one year | -800 | -502 |
| Later than one year and not later than five years | -1,324 | -1,428 |
| Later than five years | -123 | -124 |
| Total Authority as Lessor | -2,247 | -2,054 |

The income credited to the Comprehensive Income and Expenditure Statement in relation to these leases was £939k in 2022/23 (£813k 2021/22).

18. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

| Categories of Financial Instruments | | | | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | Long-term | | Current | |
| | 31 March 2022 | 31 March 2023 | 31 March 2022 | 31 March 2023 |
| | £000 | £000 | £000 | £000 |
| Investments | | | | |
| Financial assets at amortised cost | - | - | 28,814 | 29,302 |
| Financial assets at fair value through profit and loss | 10,750 | 8,957 | - | - |
| Total Investments | 10,750 | 8,957 | 28,814 | 29,302 |
| Debtors | | | | |
| Financial assets at amortised cost | 287 | 222 | 3,879 | 3,737 |
| Assets not defined as financial instruments | - | - | 8,776 | 12,583 |
| Total Debtors | 287 | 222 | 12,656 | 16,320 |
| Borrowings | | | | |
| Financial liabilities at amortised cost | -100,717 | -100,717 | -2,000 | - |
| Total Borrowings | -100,717 | -100,717 | -2,000 | - |
| Creditors | | | | |
| Financial liabilities at amortised cost | -2,186 | -2,125 | -6,056 | -5,303 |
| Liabilities not defined as financial instruments | - | - | -17,149 | -14,614 |
| Total Creditors | -2,186 | -2,125 | -23,205 | -19,917 |

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost.

The 2022/23 Code of Practice sets out the fair value valuation hierarchy that authorities are required to follow, to increase consistency and comparability in fair value measurements and related disclosures. Authorities are required to disclose the methods used and any assumptions made in arriving at fair values. The valuation basis adopted for investments and borrowing uses **Level 2 Inputs** – i.e. inputs other than quoted prices that are observable for the financial asset/liability, except for Property Fund and Multi-Asset fund investments which use **Level 1 Inputs** – i.e. unadjusted quoted prices in active markets for identical shares.

The following valuation basis has been applied:

Valuation of fixed term deposits (maturity investments)

Valuation is made by comparison of the fixed term investment with a comparable investment with the same/similar lender for the remaining period of the deposit.

Valuation of property fund and multi-asset fund investments

Property funds and multi-asset funds prices are quoted in active markets.

Valuation of PWLB loans

For loans from the PWLB the Debt Management Office provides a transparent approach to allow the exit cost of PWLB loans to be calculated for disclosure purposes.

Valuation of non-PWLB loans payable

For non-PWLB loans the PWLB redemption rates provide a reasonable proxy for rates that market participants have used when asked about early redemption costs for market loans.

Inclusion of accrued interest

The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value in the Balance Sheet. Since this will include accrued interest as at the Balance Sheet date, accrued interest is included in the fair value calculation. This figure is calculated up to and including the valuation date.

Discount rates used in NPV calculation

The rates for valuation were obtained from the market on 31 March 2023, using bid prices where applicable.

Assumptions regarding interest calculation do not have a material effect on the fair value of the instrument.

The fair values calculated are as follows:

| Fair Values - Liabilities | | | | |
|----------------------------------|------------------------|-------------------|------------------------|-------------------|
| | 31 March 2022 | | 31 March 2023 | |
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | £000 | £000 | £000 | £000 |
| Financial liabilities | 102,717 | 120,737 | 100,717 | 83,326 |
| Long-term creditors | 2,186 | 1,818 | 2,125 | 1,767 |
| Short-term creditors | 6,056 | 6,056 | 5,303 | 5,303 |

The fair value of financial liabilities is shown as lower than the carrying amount because the interest rate was higher at the Balance Sheet date than when the fixed rate PWLB loans commenced. The prior year comparison shows that the fair value of financial liabilities was higher than the carrying amount as interest rates were historically low. The fair value of long-term creditors is lower than the carrying amount due to the time value of money.

Fair Values - Receivables

| | 31 March 2022 | | 31 March 2023 | |
|---------------------|-----------------|------------|-----------------|------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | £000 | £000 | £000 | £000 |
| Loans & receivables | 32,694 | 32,694 | 33,039 | 33,039 |
| Long-term debtors | 287 | 239 | 222 | 185 |

Short-term creditors and loans and receivables are carried at cost as this is a fair approximation of their value.

Fair Values - Financial Assets

| | 31 March 2022 | 31 March 2023 |
|-------------------------------|----------------------|---------------------|
| | £000 | £000 |
| Lothbury Property Fund | 4,401 | 3,399 |
| Hermes Property Fund | 2,285 | 1,921 |
| Royal London Multi-Asset Fund | 3,012 | 2,678 |
| CCLA | 1,057 | 963 |
| TOTAL | <u>10,755</u> | <u>8,961</u> |

During 2019/20 the Council conducted a selection process involving a cross-party group of Members for long term financial investments in property and multi-asset funds. A total of £9m was invested. A further £1m was invested in CCLA multi-asset fund during 2020/21. Any change in capital value at year end is taken through the CIES and reversed out to an unusable reserve (see Financial Instrument Adjustment Account Note 26).

19. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks. The key risks are:

- **Credit Risk** – the possibility that other parties might fail to pay amounts due to the Council.
- **Liquidity Risk** – the possibility that the Council might not have funds available to meet its commitments to make payments.
- **Re-financing Risk** – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- **Market Risk** – the possibility that financial loss might arise for the Council as a result of interest rates and stock market movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice.
- By the adoption of a Treasury Policy Statement and treasury management clauses within financial regulations / standing orders / constitution.
- By approving annually in advance prudential and treasury indicators for the following three years limiting:
 - The Council's overall borrowing.
 - Maximum and minimum exposures to the maturity structure of its borrowing.
 - Maximum annual exposures to investments maturing beyond a year.
- By approving an investment strategy for the forthcoming year setting out criteria for both investing and selecting investment counterparties in compliance with Government guidance.

These are required to be reported and approved before the start of the year to which they relate. These items are reported with the Annual Treasury Management Strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as well as a mid-year and quarterly updates.

The Annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 17 February 2022 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2022/23 is £147m. This is the maximum limit of external borrowings or other long-term liabilities.
- The Operational Boundary is £142m. This is the expected level of debt and other long-term liabilities during the year.

These policies are implemented by a treasury team, within the Finance section. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed annually.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Link Asset Services, the Council's treasury management advisers. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution or group.

The credit criteria in respect of financial assets held by the Council are as detailed below:

- A financial institution must be included as a creditworthy counterparty on Link Asset Services weekly listing.
- There is an individual bank and group limit of £8m. Outside the UK the Council will only make deposits with banks in AA- rated countries. Investments can be for a maximum three-year duration.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, but formal individual credit limits are not set.

The Council's maximum exposure during 2022/23 to credit risk in relation to its investments in banks and building societies was £68m. It cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Experience has shown that, whilst rare, it can happen that such entities can fail to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no new evidence at 31 March 2023 that this risk was likely to crystallise.

The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

| Potential Maximum Exposure to Credit Risk | | | | | |
|--|---|---|--|---|---|
| | Amount at 31 March 2023 £000 | Historical experience of default % | Historical experience adjusted for market conditions at 31 March 2023 % | Estimated maximum exposure to default & uncollectability at 31 March 2023 £000 | Estimated maximum exposure to default & uncollectability at 31 March 2022 £000 |
| Bonds | - | - | - | - | - |
| Customers | 16,320 | 4.5% | 8.0% | 1,306 | 770 |
| | | | | 1,306 | 770 |

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is readily available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and Public Works Loans Board. There is no significant risk that it will be unable to meet its commitments under financial instruments. The Council has eighteen PWLB loans that mature in more than five years.

Maturity - Liabilities

| | 31 March 2022 | 31 March 2023 |
|----------------------------|------------------|------------------|
| | £000 | £000 |
| Less than one year | 25,205 | 19,917 |
| Between one and two years | - | - |
| Between two and five years | 2,186 | 2,125 |
| More than five years | 100,717 | 100,717 |
| | 128,108 | 122,759 |

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

Refinancing Risk

This risk relates to both the maturing of longer-term financial liabilities and longer-term financial assets. The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments of greater than one year in duration are the key parameters used to address this risk. The Council's approved treasury and investment strategies address the main risks and the treasury team addresses the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or rescheduling of the existing debt.
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day-to-day cash flow needs, and the spread of longer-term investments provide stability of maturities and returns in relation to the longer-term cash flow needs. The maturity analysis of financial liabilities is below.

Maturity Analysis - PWLB

| | 31 March 2022 | 31 March 2023 |
|----------------------------|---------------------|---------------------|
| | £000 | £000 |
| Less than one year | 2,000 | - |
| Between one and two years | - | - |
| Between two and five years | - | - |
| Between five and ten years | 6,000 | 6,000 |
| More than ten years* | 94,717 | 94,717 |
| Total | 102,717 | 100,717 |

*PWLB maturities are during the period up until 2066.

Market Risk

This is the risk that the Council will be adversely affected by market movements in the value of its investments.

The Council is protected from this risk through not holding investments with the intention of trading; where tradeable investments are held it is policy to hold them until maturity, or for the medium to long term in the case of property funds and multi-asset funds. This has the effect of nullifying or greatly reducing market risk.

Interest Rate Risk

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

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise.
- Borrowings at fixed rates – the fair value of borrowings will fall.
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise.
- Investments at fixed rates – the fair value of the assets will fall.

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

The Council has a number of strategies for managing interest rate risk. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. Risk of loss may be ameliorated if a proportion of government grant payable on financing costs moves with prevailing interest rates or the Council's cost of borrowing, and provides compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to revise the budget during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, as at 31 March 2023, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

| 1% Interest Higher | |
|--|-------------------------|
| | 2022/23 £000 |
| Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure) | 11,656 |

The impact of a 1% fall in interest rates would be as above but with the movement being reversed.

Price Risk

The Council does not invest in equity shares. If it did, these would be classified as 'available for sale' and all movements in price would impact on gains and losses recognised in Other Comprehensive Income and Expenditure.

20. Debtors

| Debtors | | |
|----------------------|-----------------------------------|-----------------------------------|
| | 31 March 2022 £000 | 31 March 2023 £000 |
| Trade receivables | 1,960 | 5,856 |
| Prepayments | 682 | 900 |
| Other receivables | 10,014 | 9,563 |
| Total Debtors | 12,656 | 16,320 |

21. Cash and Cash Equivalents

| Cash and Cash Equivalents | | |
|--|---------------------------------------|---------------------------------------|
| | 31 March 2022 £000 | 31 March 2023 £000 |
| Cash held by the Authority | 1 | 3 |
| Bank current accounts | -461 | -582 |
| Short-term deposits with banks | 25,120 | 17,318 |
| Total Cash and Cash Equivalents | 24,661 | 16,739 |

22. Assets Held for Sale

| Assets Held for Sale | | |
|---|---------------------------------------|---------------------------------------|
| | 31 March 2022 £000 | 31 March 2023 £000 |
| Balance outstanding at 1 April | - | 174 |
| Assets newly classified as held for sale: | | |
| Other land | 92 | 37 |
| Revaluation gains | 82 | 52 |
| Assets declassified as held for sale: | | |
| Assets sold | - | -174 |
| Balance outstanding at 31 March | 174 | 89 |

23. Creditors

| Creditors | | | | |
|------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | Current | | Non-Current | |
| | 31 March 2022 £000 | 31 March 2023 £000 | 31 March 2022 £000 | 31 March 2023 £000 |
| Trade payables | 7,457 | 6,706 | - | - |
| Other payables | 15,748 | 13,211 | 2,186 | 2,125 |
| Total Creditors | 23,205 | 19,917 | 2,186 | 2,125 |

24. Provisions

| Provisions | | |
|---------------------------------------|----------------------|-----------------------|
| | NNDR £000 | Total £000 |
| Balance at 31 March 2022 | 1,151 | 1,151 |
| Additional provisions made in 2022/23 | 883 | 883 |
| Amounts used in 2022/23 | -1,151 | -1,151 |
| Unused amounts reversed in 2022/23 | - | - |
| Balance at 31 March 2023 | 883 | 883 |

The NNDR provision is for the estimated cost of National Non-Domestic Rating appeals.

| Provisions | | | |
|---------------------------------------|----------------------------|--------------|--------------|
| | Housing Repairs | NNDR | Total |
| | £000 | £000 | £000 |
| Balance at 31 March 2021 | 624 | 912 | 1,536 |
| Additional provisions made in 2021/22 | - | 446 | 446 |
| Amounts used in 2021/22 | - | -207 | -207 |
| Unused amounts reversed in 2021/22 | -624 | - | -624 |
| Balance at 31 March 2022 | - | 1,151 | 1,151 |

25. Usable Reserves

| Usable Reserves | |
|--|-----------------------------------|
| 31 March 2022 £000 | 31 March 2023 £000 |
| 2,169 General Fund | 2,169 |
| 24,032 Earmarked General Fund Reserves | 22,404 |
| 4,560 Housing Revenue Account | 4,118 |
| 6,787 Earmarked HRA Reserves | 7,436 |
| 4,556 Major Repairs Reserve | 3,447 |
| 10,042 Capital Receipts Reserve | 14,073 |
| 3,139 Capital Grants Unapplied | 5,715 |
| <u>55,286</u> Total Usable Reserves | <u>59,363</u> |

26. Unusable Reserves

| Unusable Reserves | |
|---|-----------------------------------|
| 31 March 2022 £000 | 31 March 2023 £000 |
| 79,501 Revaluation Reserve | 88,772 |
| 160,809 Capital Adjustment Account | 157,401 |
| 754 Financial Instruments Revaluation Reserve | -1,039 |
| -39,561 Pensions Reserve | 1,198 |
| -3,234 Collection Fund Adjustment Account | -605 |
| -224 Accumulating Absences Adjustment Account | -164 |
| <u>198,045</u> Total Unusable Reserves | <u>245,563</u> |

Revaluation Reserve

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

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

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

| Revaluation Reserve | |
|--|-----------------------------------|
| 31 March 2022 £000 | 31 March 2023 £000 |
| 61,108 | 79,501 |
| Balance at 1 April | |
| 23,093 | 11,836 |
| Upward revaluation of assets | |
| -3,269 | -841 |
| Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | |
| Surplus or deficit on revaluation of non-current assets | |
| 19,824 | 10,996 |
| not posted to the Surplus or Deficit on the Provision of Services | |
| -887 | -898 |
| Difference between fair value depreciation and historical cost depreciation | |
| -544 | -827 |
| Accumulated gains on assets sold or scrapped | |
| -1,431 | -1,725 |
| Amount written off to the Capital Adjustment Account | |
| 79,501 | 88,772 |
| Balance at 31 March | |

Capital Adjustment Account

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

The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Council. The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account

| 31 March 2022 £000 | | 31 March 2023 £000 |
|-----------------------------------|--|-----------------------------------|
| 158,092 | Balance at 1 April | 160,809 |
| | <i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i> | |
| -2,308 | Charges for depreciation and impairment of non-current assets | -2,937 |
| -7,098 | Revaluation (losses)/gains on PPE | -10,057 |
| -6 | Amortisation of intangible assets | - |
| -6,650 | Revenue expenditure funded from capital under statute | -3,743 |
| -1,271 | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | -2,742 |
| -17,333 | | -19,479 |
| 1,431 | Adjusting amounts written out of the Revaluation Reserve | 1,725 |
| -15,902 | Net written out amount of the cost of non-current assets consumed in the year | -17,753 |
| | <i>Capital financing applied in the year:</i> | |
| 2,185 | Use of the Capital Receipts Reserve to finance new capital expenditure | 827 |
| 8,091 | Use of the Major Repairs Reserve to finance new capital expenditure | 7,724 |
| 6,811 | Application of grants to capital financing from the Capital Grants Unapplied Account | 3,613 |
| 875 | Statutory provision for the financing of capital investment charged against the General Fund and HRA balances | 1,050 |
| 145 | Voluntary provision for the financing of capital investment charged against the General Fund and HRA balances | - |
| 513 | Capital expenditure charged against the General Fund and HRA balances | 1,131 |
| 18,619 | | 14,346 |
| 160,809 | Balance at 31 March | 157,401 |

Financial Instruments Revaluation Reserve

The financial instruments revaluation reserve contains the gains and losses made by the authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

| Financial Instruments Revaluation Reserve | | | |
|--|-------------------------------------|---------------------|----------------------|
| 31 March 2022 | | 31 March 2023 | |
| £000 | £000 | £000 | £000 |
| | -129 | | 754 |
| | Balance at 1 April | | |
| 937 | | - | |
| | Upward revaluation of investments | | |
| -54 | | -1,793 | |
| | Downward revaluation of investments | | |
| <u>884</u> | | <u>-1,793</u> | |
| | Balance at 31 March | | <u>-1,039</u> |

Pensions Reserve

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

| Pension Reserve | | |
|------------------------|--|----------------|
| 31 | | 31 |
| March | | March |
| 2022 | | 2023 |
| £000 | | £000 |
| -51,205 | Balance at 1 April | -39,561 |
| 14,559 | Actuarial gains or losses on pensions assets and liabilities | 43,425 |
| -6,936 | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | -6,572 |
| 4,021 | Employers pension contributions and direct payments to pensioners payable in the year | 3,906 |
| -39,561 | Balance at 31 March | 1,198 |

Collection Fund Adjustment Account

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

| Collection Fund Adjustment Account | | |
|---|--|---------------|
| 31 | | 31 |
| March | | March |
| 2022 | | 2023 |
| £000 | | £000 |
| -4,999 | Balance at 1 April | -3,234 |
| | <i>Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements:</i> | |
| 65 | Council tax | 29 |
| 1,700 | Non-domestic rates | 2,601 |
| -3,234 | Balance at 31 March | -605 |

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance, from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

| Accumulated Absences Account | |
|---|---------------------------------------|
| 31 March 2022 £000 | 31 March 2023 £000 |
| -299 | -224 |
| Balance at 1 April | |
| 299 | 224 |
| Settlement or cancellation of accrual made at the end of the preceding year | |
| -224 | -164 |
| Amounts accrued at the end of the current year | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | |
| 75 | 60 |
| Balance at 31 March | |
| -224 | -164 |

27. Cash Flow Statement – Operating Activities

| Cash Flow Statement - Non-Cash Items Included in Surplus (-) / Deficit on Provision of Services | |
|--|-----------------------------------|
| 31 March 2022 £000 | 31 March 2023 £000 |
| -2,309 | -1,813 |
| -6 | - |
| -7,083 | -11,256 |
| -10,571 | 3,288 |
| - Increase (-) / decrease in long term creditors | 61 |
| - Increase (-) / decrease in grants in advance | 2,895 |
| 1,370 | 3,664 |
| 3 | -65 |
| 385 | 268 |
| -2,915 | -2,666 |
| -1,271 | -2,742 |
| 884 | -1,793 |
| -21,513 | -10,159 |

28. Cash Flow Statement – Investing Activities

| Cash Flow Statement - Investing Activities | |
|---|-----------------------------------|
| 31 March 2022 £000 | 31 March 2023 £000 |
| 17,695 | 12,690 |
| 186,896 | 184,981 |
| -2,588 | -4,890 |
| -186,917 | -184,415 |
| 15,086 | 8,366 |

29. Cash Flow Statement – Financing Activities

| Cash Flow Statement - Financing Activities | |
|---|-----------------------------------|
| 31 March 2022 £000 | 31 March 2023 £000 |
| - | 2,000 |
| - | 2,000 |

30. Members' Allowances

The Council paid the following amounts to members of the Council during the year:

| Members' Allowances | | |
|----------------------------------|----------------|----------------|
| | 2021/22 | 2022/23 |
| | £000 | £000 |
| Allowances | 356 | 403 |
| Expenses | 1 | 3 |
| Total Members' Allowances | 357 | 406 |

31. Officers' Remuneration

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

| Officers' Remuneration | | | | |
|---|-------------|--|---------------------------------|--------------|
| | Year | Salary, Fees & Allowances | Pension Contribution | Total |
| | | £ | £ | £ |
| Chief Executive | 2022/23 | 122,139 | 24,061 | 146,200 |
| | 2021/22 | 120,214 | 23,682 | 143,896 |
| Strategic Director of Resources | 2022/23 | 90,844 | 17,896 | 108,740 |
| | 2021/22 | 86,722 | 17,084 | 103,806 |
| Strategic Director of Transformation & Change | 2022/23 | 88,848 | 17,503 | 106,351 |
| | 2021/22 | 82,978 | 16,347 | 99,325 |
| Strategic Director of Place | 2022/23 | 90,881 | 17,903 | 108,784 |
| | 2021/22 | 88,777 | 17,489 | 106,266 |
| Strategic Director of Communities | 2022/23 | 88,700 | 16,428 | 105,128 |
| | 2021/22 | 83,639 | 16,477 | 100,116 |
| Corporate Director (Monitoring Officer) | 2022/23 | 38,866 | 7,657 | 46,522 |
| | 2021/22 | - | - | - |

The Corporate Director (Monitoring Officer) started in October 2022 and is a shared post with Cheltenham Borough Council. Stroud District Council, as the employer, incurs the full cost and is reimbursed 50% of the expenditure by Cheltenham Borough Council. The previous Monitoring Officer was not directly employed by the Council and so there are no prior year comparator figures.

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

| Remuneration Band | 2021/22 Number of employees | 2022/23 Number of employees |
|-------------------|-----------------------------------|-----------------------------------|
| £50,000 - 54,999 | 10 | 9 |
| £55,000 - 59,999 | 6 | 1 |
| £60,000 - 64,999 | 1 | 9 |
| £65,000 - 69,999 | 1 | - |

32. Termination Benefits

The Council terminated the contracts of 1 employee in 2022/23, incurring a liability of £7k (3 employees, £220k in 2021/22).

| Termination Benefits | | | | | | | | | |
|-------------------------|------------|---------|---------|---------|------------|---------|--------------------|-----------------|---|
| Exit package cost | Compulsory | | Other | | Total exit | | Total cost of exit | | |
| | 2021/22 | 2022/23 | 2021/22 | 2022/23 | 2021/22 | 2022/23 | 2021/22 £000 | 2022/23 £000 | |
| 0 - 20 | - | - | - | 1 | - | 1 | - | - | 7 |
| 20 - 40 | - | - | 1 | - | 1 | - | 25 | - | - |
| 40 - 60 | - | - | - | - | - | - | - | - | - |
| 60 - 80 | - | - | - | - | - | - | - | - | - |
| 80 - 100 | - | - | 2 | - | 2 | - | 195 | - | - |
| 100 - 120 | - | - | - | - | - | - | - | - | - |
| TOTAL | - | - | 3 | 1 | 3 | 1 | 220 | - | 7 |

33. Defined Benefit Pension Scheme

Participation in Pension Scheme

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time the employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered locally by Gloucestershire County Council. This was a funded defined benefit final salary scheme until 31 March 2014, and is a defined benefit career average scheme from 1 April 2014. The Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Transactions Relating to Post-employment Benefits

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

Transactions Relating to Post-employment Benefits

| | Local Government Pension Scheme | |
|---|--|-------------------------|
| | 2021/22 £000 | 2022/23 £000 |
| Comprehensive Income and Expenditure Statement | | |
| <i>Cost of Services</i> | | |
| Current service cost | 5,825 | 5,563 |
| Past service costs (including curtailments) | 70 | - |
| <i>Financing and Investment Income and Expenditure</i> | | |
| Net interest expense | 1,041 | 1,009 |
| Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 6,936 | 6,572 |
| Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement | | |
| Return on plan assets (excluding the amount included in the net interest expense) | -5,725 | 5,624 |
| Actuarial gains and losses on changes in demographic assumptions | -2,426 | -2,820 |
| Actuarial gains and losses arising on changes in financial assumptions | -9,684 | -59,058 |
| Other experience | 3,276 | 12,829 |
| Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement | -7,623 | -36,853 |
| Movement in Reserves Statement | | |
| Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code | 11,644 | 40,759 |
| Actual amount charged against the General Fund Balance for pensions in the year: | | |
| Employer contributions payable to the scheme | 4,021 | 3,906 |

Assets and Liabilities Recognised in the Balance Sheet

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

Pensions Assets and Liabilities Recognised in the Balance Sheet

| | 2021/22 £000 | 2022/23 £000 |
|--|-----------------|-----------------|
| Present value of the defined benefit obligation | -162,237 | -119,054 |
| Fair value of plan assets | 122,677 | 120,253 |
| Net liability arising from the defined benefit obligation | -39,560 | 1,199 |

The present value of unfunded benefits is £657k (£856k 2021/22).

Reconciliation of the Movements in the Fair Value of Scheme Assets

Reconciliation of the Movements in the Fair Value of Scheme Assets

| | 2021/22 £000 | 2022/23 £000 |
|--|-----------------|-----------------|
| Opening fair value of scheme assets | 114,888 | 122,677 |
| Interest income | 2,302 | 3,340 |
| <i>Remeasurement gain / (loss):</i> | | |
| The return on plan assets, excluding the amount included in the net interest expense | 5,725 | -5,624 |
| Other | -762 | -748 |
| Contributions from employer | 3,964 | 3,906 |
| Contributions from employees into the scheme | 730 | 802 |
| Benefits paid | -4,170 | -4,100 |
| Closing fair value of scheme assets | 122,677 | 120,253 |

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)**Reconciliation of the Present Value of the Scheme Liabilities (Defined Benefit Obligation)**

| | 2021/22 | 2022/23 |
|--|----------------|----------------|
| | £000 | £000 |
| Opening balance at 1 April | 166,093 | 162,237 |
| Current service cost | 5,825 | 5,563 |
| Interest cost | 3,343 | 4,349 |
| Contributions from scheme participants | 730 | 802 |
| <i>Remeasurement (gains) and losses:</i> | | |
| Actuarial (gains) / losses arising from changes in demographic assumptions | -2,426 | -2,820 |
| Actuarial (gains) / losses arising from changes in financial assumptions | -9,684 | -59,058 |
| Other | 2,514 | 12,081 |
| Past service cost - including curtailments | 70 | - |
| Benefits paid | -4,228 | -4,100 |
| Closing balance at 31 March | 162,237 | 119,054 |

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £119.054m is part of the net worth of the Council as recorded in the Balance Sheet, resulting in a positive overall pensions reserve balance of £1.199m.

- If a deficit arises on the local government scheme it will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council for the year to 31 March 2024 are £3.854m. In 2017/18 and 2023/24, the Council paid lump sum pension deficit payments scheduled for the following two financial years early to benefit from a discounted lump sum amount. In 2020/21 the Council declined the opportunity to pay lump sum deficit payments in advance. Expected contributions for the Discretionary Benefits Scheme in the year to 31 March 2024 are £60k.

Local Government Pension Scheme Assets Comprised

| Local Government Pension Scheme Assets Comprised | | | | | | | | |
|--|---------------------------------|-------------------------------------|----------------|-------------------|---------------------------------|-------------------------------------|----------------|-------------------|
| Asset Category | 31 March 2022 | | | | 31 March 2023 | | | |
| | Quoted prices in active markets | Quoted prices in not active markets | Total £000 | % of Total Assets | Quoted prices in active markets | Quoted prices in not active markets | Total £000 | % of Total Assets |
| | £000 | £000 | | | £000 | £000 | | |
| Equity Securities: | | | | | | | | |
| Consumer | - | - | - | 0% | - | - | - | 0% |
| Manufacturing | - | - | - | 0% | - | - | - | 0% |
| Energy and Utilities | - | - | - | 0% | - | - | - | 0% |
| Financial Institutions | - | - | - | 0% | - | - | - | 0% |
| Health and Care | - | - | - | 0% | - | - | - | 0% |
| Information Technology | - | - | - | 0% | - | - | - | 0% |
| Other | - | - | - | 0% | - | - | - | 0% |
| Debt Securities: | | | | | | | | |
| Corporate bonds (investment grade) | - | - | - | 0% | - | - | - | 0% |
| Corporate bonds (non-investment grade) | - | - | - | 0% | - | - | - | 0% |
| UK Government | - | - | - | 0% | - | - | - | 0% |
| Other | - | - | - | 0% | - | - | - | 0% |
| Private Equity: | | | | | | | | |
| All | - | 1,338 | 1,338 | 1% | - | 2,304 | 2,304 | 2% |
| Real Estate: | | | | | | | | |
| UK Property | 5,110 | 3,561 | 8,671 | 7% | 4,246 | 3,844 | 8,089 | 7% |
| Overseas Property | - | 854 | 854 | 1% | - | 2,116 | 2,116 | 2% |
| Investment Funds and Unit Trusts: | | | | | | | | |
| Equities | - | 83,470 | 83,470 | 68% | - | 77,480 | 77,480 | 65% |
| Bonds | 7,840 | 14,780 | 22,620 | 18% | 7,742 | 13,054 | 20,796 | 17% |
| Hedge Funds | - | - | - | 0% | - | - | - | 0% |
| Commodities | - | - | - | 0% | - | - | - | 0% |
| Infrastructure | - | 1,236 | 1,236 | 1% | - | 4,323 | 4,323 | 4% |
| Other | - | 2,919 | 2,919 | 2% | - | 4,815 | 4,815 | 4% |
| Derivatives: | | | | | | | | |
| Inflation | - | - | - | 0% | - | - | - | 0% |
| Interest Rate | - | - | - | 0% | - | - | - | 0% |
| Foreign Exchange | - | - | - | 0% | - | - | - | 0% |
| Other | - | - | - | 0% | - | - | - | 0% |
| Cash and Cash Equivalents: | | | | | | | | |
| All | 1,635 | - | 1,635 | 1% | 1,159 | - | 1,159 | 1% |
| Totals | 14,585 | 108,158 | 122,743 | 100% | 13,146 | 107,935 | 121,081 | 100% |

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years, dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Council being based on the latest full valuation of the scheme as at 31 March 2022. The principal assumptions used by the actuary have been:

Assumptions

| | 2021/22 | 2022/23 |
|---|---------|---------|
| Mortality assumptions: | | |
| Longevity at 65 for current pensioners: | | |
| Men | 21.9 | 21.5 |
| Women | 24.6 | 23.9 |
| Longevity at 65 for future pensioners: | | |
| Men | 22.6 | 22.6 |
| Women | 26.0 | 25.7 |
| Rate of inflation | 3.2% | 2.95% |
| Rate of increase in salaries | 3.7% | 3.45% |
| Rate of increase in pensions | 3.2% | 2.95% |
| Discount rate | 2.7% | 4.75% |

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

Change in Assumptions at 31 March 2023

| | Estimated % increase to Employer Liability | Estimated monetary amount £000 |
|---|--|--------------------------------------|
| 0.1% decrease in Real Discount Rate | 2% | 1,986 |
| * 1-year increase in member life expectancy | 4% | 4,675 |
| 0.1% increase in the Salary Increase Rate | 0% | 218 |
| 0.1% increase in the Pension Increase Rate | 2% | 1,798 |

*The principal demographic assumption is the longevity assumption (i.e. Member life expectancy). For sensitivity purposes, the actuaries estimate that a one-year increase in life expectancy would approximately increase the Employer Defined Benefit Obligation by around 3-5%. In practice, the actual cost of a one-year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements predominantly apply at younger or older ages).

Funding Strategy Statement

The Gloucestershire County Council Pension Fund has a Funding Strategy Statement (FSS) prepared in collaboration with the fund's actuary, Hymans Robertson LLP, after consultation with the fund's employers and investment adviser. The latest FSS is effective from March 2023.

An objective of the FSS is an investment strategy that is set for the long-term solvency of the fund, using a prudent long-term view to ensure sufficient funds are available to pay members' benefits as they fall due. Normally a full review of the investment strategy is carried out after each actuarial valuation, and is reviewed annually to ensure it remains appropriate to the fund's liability profile.

A balance needs to be maintained between risk and reward, and this has been considered by the use of Asset Liability Modelling. This is a set of calculation techniques applied by the fund's actuary, to model a range of potential future solvency levels and contribution rates.

Modelling demonstrates that retaining the present investment strategy, coupled with constraining employer contribution rates, meets the need for stability of contributions without jeopardising the Administering Authority's aim of prudent stewardship of the fund.

The next FSS review will be at the time of the next actuarial valuation in 2025.

Impact on the Authority's Cash Flows

An objective of the Administering Authority is to keep employers' contribution rates as constant as possible. Funding levels are set for a three-year period. The results from the latest triennial valuation as at 31 March 2022 were completed in October 2022.

Stroud District Council anticipates employer contributions of £3.854m to the scheme in 2023/24. This is inclusive of a third of a lump sum payment covering 2023-24 to 2025-26 of £4.321m paid in advance in April 2023 for a discount.

34. External Audit Costs

The authority has incurred the following costs in relation to the audit of the statement of accounts:

| External Audit Costs | | |
|---|----------------|----------------|
| | 2021/22 | 2022/23 |
| | £000 | £000 |
| External audit services carried out by the appointed auditor for the year | 45 | 45 |
| Value for Money | 15 | 15 |
| Additional costs for audit of prior year | 20 | 58 |
| Total External Audit Costs | 80 | 118 |

35. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23 and 2021/22:

| Grant Income, Contributions and Donations | | |
|--|----------------|----------------|
| | 2021/22 | 2022/23 |
| | £000 | £000 |
| Total Non Ringfenced Government Grants | | |
| DLUHC - New Homes Bonus Scheme | 880 | 1,432 |
| DLUHC - New Burdens | 8 | 209 |
| DLUHC - Services Grant | - | 170 |
| DLUHC - Lower Tier Services Grant | - | 113 |
| Government Covid Grants | 5,288 | 77 |
| Other Non Ringfenced Government Grants | 3 | - |
| Other Grants | 59 | 61 |
| S31 Grants | 105 | - |
| Total Non Ringfenced Government Grants | 6,344 | 2,061 |
| | | |
| Capital Grants & Contributions:- | | |
| Better Care Fund | -144 | 255 |
| Homes England Grant | 140 | - |
| CCG Health Through Warmth | 200 | 150 |
| Warm & Well | 652 | 199 |
| Heritage Lottery Fund | 3,209 | 1,034 |
| Green Homes and Home Upgrade Scheme | 1,569 | 640 |
| Canal | - | 535 |
| Land Release Fund | 776 | - |
| Environment Agency Stroud Valleys | 45 | - |
| Community Infrastructure Levy | 1,118 | 3,077 |
| BEIS Social Housing Decarbonisation | 426 | 197 |
| Other Capital Grants and Contributions | 21 | 102 |
| Total Capital Grants & Contributions | 8,011 | 6,189 |

| | 2021/22 | 2022/23 |
|--|----------------|----------------|
| | £000 | £000 |
| Total Grants and Contributions Credited to Services | | |
| DWP Housing Benefit Grant | 16,296 | 15,681 |
| DWP Discretionary Housing Payments / In & Out of Work | 97 | 58 |
| DWP Housing Benefit Administration Grant | 258 | 277 |
| DLUHC Flexible Homelessness Support Grant | 260 | 250 |
| DLUHC Business Rate Collection | 163 | 160 |
| DLUHC Domestic Abuse | 81 | 46 |
| Council Tax Hardship Grant | 102 | 98 |
| Council Tax Rebate (Energy) Scheme (discretionary) | - | 167 |
| New Burdens Funding | - | 46 |
| Other Government Grants | - | 89 |
| Household Support Funding | - | 362 |
| GCC Recycling Credits | 947 | 937 |
| Private Housing MEES | 65 | 17 |
| Environment Agency Stroud Valleys | 50 | 19 |
| Carbon Neutral 2030 Grant Funding | - | 175 |
| Government Covid Grants | 92 | -13 |
| Other LA Covid Grants (Including COMF) | 632 | 641 |
| Holiday Activity Fund | 284 | 46 |
| Clinical Commissioning Group Grants | 230 | 30 |
| Homes For Ukraine Funding | - | 429 |
| UK Shared Prosperity Fund (UKSPF) | - | 187 |
| Contributions towards the Canal Project | 340 | - |
| Other Grants and Contributions | 837 | 403 |
| Total Grant and Contributions Credited to Services | 20,734 | 20,107 |
| Total Grants and Third Party Contributions | 35,088 | 28,357 |

The Council has received some grants and contributions that have yet to be recognised as income as they have conditions attached to them that may require monies to be returned to the contributing organisation. The balances at year end are as follows:

Grants Receipts in Advance

| | 2021/22 | 2022/23 |
|--|---------------|--------------|
| | £000 | £000 |
| Grants Receipts in Advance (Revenue) | | |
| Covid-19 Funding including COMF | 744 | 241 |
| Council Tax Rebate (Energy) Scheme (discretionary) | 167 | - |
| Other Grants Receipts in Advance | 126 | - |
| Total Grants Receipts in Advance (Revenue) | 1,037 | 241 |
| Grants Receipts in Advance (Capital) | | |
| Social Housing Decarbonisation | 3,423 | 1,631 |
| Home Upgrade Grant | 4,133 | 3,773 |
| Green Homes LADS | 1,040 | 785 |
| Brownfield Release Fund | 421 | 421 |
| Better Care Fund | 312 | 145 |
| Local Authority Housing Fund | - | 544 |
| S106 Developers Contributions | 1,994 | 1,925 |
| Total Grants Receipts in Advance (Capital) | 11,323 | 9,224 |

There has been grant funding where the Council has acted as an agent, passporing grants to businesses and individuals in accordance with Government guidelines. These payments and grant income have not been included in the Comprehensive Income and Expenditure Statement but are summarised in the following table for information.

Acting as Agent on behalf of Government

| | 2021/22 | 2022/23 |
|---|--------------|--------------|
| | £000 | £000 |
| Grants Received | | |
| Covid-19 Grants to Businesses and Residents | 6,902 | - |
| Social Housing Decarbonisation Grants to Registered Providers | 566 | 1,304 |
| Council Tax Energy Support to Residents | - | 5,955 |
| Other grants | 95 | 25 |
| Total Grants Acting as Agent | 7,563 | 7,283 |

36. Related Parties

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

Central Government

Central government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants, and prescribes the terms of many transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in note 35.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2022/23 and 2021/22 is shown in note 30. A number of Members have declared interests in related parties which are mainly local organisations; however, they are not material in nature.

The Register of Members' Interests is on the Council's website, or is open to public inspection at Ebley Mill during office hours, on application.

Officers/Other Public Bodies

Senior Officers have not disclosed any material transactions with related parties and the Council has no material pooled budget arrangements with other public bodies.

Entities Controlled or Significantly Influenced by the Council

There are no entities controlled or significantly influenced by the Council.

The Council is a Member of the Stroud Valleys Canal Company (SVCC) and is entitled to nominate a Director to the Board of Directors. The company was formed in 2009 to hold land associated with the Canal Restoration Project led by the Council and to maintain and operate the canal post-restoration. All payments to SVCC during 2022/23 relate to the Agreement between the respective parties dated 16 March 2012.

Also, the Council is one of eight equal shareholders of Ubico Ltd. The other owners are Cheltenham Borough Council, Cotswold District Council, Forest of Dean District Council, Gloucester City Council, Gloucestershire County Council, Tewkesbury Borough Council and West Oxfordshire District Council. The company is responsible for delivering the shareholders' environmental services such as refuse and recycling within their respective council boundaries. Stroud District Council joined in January 2016 and in July 2016 Ubico Ltd took over collection of waste and recycling from Veolia Limited. Since Stroud District Council does not exercise control or joint control or significant influence over the company, its accounts have not been consolidated into group accounts; however, full disclosure notes are provided to the Council.

37. Contingent Liabilities

The Council has no contingent liabilities as at 31 March 2023 or 31 March 2022.

38. Contingent Assets

The Council has no contingent assets as at 31 March 2023. The Council had lodged a claim for overpaid postage VAT of up to £0.65m as at 31 March 2022, but withdrew from legal proceedings in May 2022.

Supplementary Financial Statements

Housing Revenue Account

The Housing Revenue Account (HRA) Income and Expenditure statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

Housing Revenue Account Income and Expenditure Account

| 2021/22 | | 2022/23 |
|----------------|--|----------------|
| £000 | | £000 |
| | Income | |
| -21,251 | Dwelling rents | 6 -22,450 |
| -214 | Non-dwelling rents | 8 -191 |
| -1,271 | Charges for services and facilities | -1,175 |
| -200 | Transfers from General Fund | -200 |
| -319 | Contribution towards expenditure | -362 |
| -23,255 | Total income | -24,378 |
| | Expenditure | |
| 4,845 | Repairs and maintenance | 6,554 |
| 5,155 | Supervision and management | 5,286 |
| 2,076 | Special services | 2,410 |
| 6,097 | Depreciation, impairment and revaluation | 11 10,326 |
| 63 | Increased provision for bad or doubtful debt | 10 79 |
| 18,236 | Total expenditure | 24,655 |
| -5,018 | Net cost of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement | 277 |
| 345 | HRA share of corporate and democratic core | 333 |
| -4,674 | Net cost of HRA services | 610 |
| | HRA share of operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement: | |
| -1,263 | Gain (-) or loss on sale of HRA non-current assets | 13 -2,142 |
| 3,379 | Interest payable and similar charges | 3,379 |
| -50 | HRA interest and investment income | -456 |
| 271 | Pensions interest cost and expected return on pensions assets | 262 |
| -528 | Capital grants and contributions receivable | -197 |
| -2,865 | Surplus (-) / deficit for the year on HRA services | 1,457 |

Movement on the Housing Revenue Account Statement

| 2021/22 £000 | 2022/23 £000 |
|--|-----------------|
| -4,611 Balance on the HRA at 1 April | -4,560 |
| -2,865 Surplus (-) / deficit for the year on the HRA Income and Expenditure | 1,457 |
| 1,797 Adjustments between accounting basis and funding basis under regulations | -1,664 |
| -1,068 Net increase (-) or decrease before transfers to or from reserves | -207 |
| 1,119 Transfers to or from reserves | 1,819 |
| 51 Increase (-) or decrease in year on HRA | 1,612 |
| -4,560 Balance on the HRA at 31 March | -2,948 |

This statement reconciles the outturn on the HRA Income and Expenditure Account to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

Note to the Movement on the Housing Revenue Account

| 2021/22 £000 | 2022/23 £000 |
|---|-----------------|
| Difference between any other item of income and expenditure determined | |
| - in accordance with the Code and those determined in accordance with statutory HRA requirements (if any) | - |
| 528 Capital grants and contributions receivable | 197 |
| 1,263 Gain or loss (-) on sale of HRA non-current assets | 2,142 |
| -756 HRA share of contributions to or from the Pensions Reserve | -704 |
| 156 Capital expenditure funded by the HRA | 391 |
| 6,681 Transfer to / from (-) Major Repairs Reserve | 6,615 |
| -6,077 Transfer to / from (-) the Capital Adjustment Account | -10,305 |
| 1,797 Net additional amount required to be credited (-) or debited to the HRA balance for the year | -1,664 |

Notes to the Housing Revenue Account (HRA)

1. Housing Stock

The Council was responsible for managing an average of 4,996 dwellings during the year. 25 dwellings were sold under the right-to-buy legislation, compared to a total of 10 sales in the previous year. There were 24 dwellings added, 24 through the new build programme and 0 purchases. The value of the additions and other disposals is shown as part of the 'Movement in HRA fixed assets' table as 'development sites'. The table below summarises movements in stock during the year.

| Movement in Housing Stock | | | | | | | | | | | | |
|---------------------------|--------------------|-----------------|-----------|-----------|--------------|-----------------------------|--------------|--------------------|-----------------|-----------|-----------|--------------|
| 2021/22 | | | | | | 2022/23 | | | | | | |
| 1 April | Right-to-buy sales | Other disposals | Transfers | Additions | 31 March | Number by type of dwellings | 1 April | Right-to-buy sales | Other disposals | Transfers | Additions | 31 March |
| 1,245 | - | | | 2 | 1,247 | Bungalows | 1,247 | -1 | | | 9 | 1,255 |
| 1,493 | -1 | | | 5 | 1,497 | Flats | 1,497 | -2 | | | 4 | 1,499 |
| 2,200 | -9 | | -2 | 6 | 2,195 | Houses | 2,195 | -22 | -1 | | 11 | 2,183 |
| 14 | | | | | 14 | Maisonettes | 14 | | | | | 14 |
| 40 | | | | 5 | 45 | Shared ownership | 45 | | -2 | | | 43 |
| 4,992 | -10 | - | -2 | 18 | 4,998 | Total Housing Stock | 4,998 | -25 | -3 | - | 24 | 4,994 |

The total Balance Sheet value of the land, houses and other property within the HRA, including sheltered dwellings, is shown below:

| Movement in HRA Fixed Assets | | | | | | | |
|-------------------------------|--------------------|-------------------|---------------|--------------|-----------------------------|-----------|---------------------|
| <i>Figures in £000s</i> | Balance 1 April 22 | Additions in year | Disposals | Revaluation | Depreciation and impairment | Transfers | Balance 31 March 23 |
| Operational assets | | | | | | | |
| Council dwellings | 300,335 | 8,150 | -2,262 | 6,635 | -6,592 | 4,767 | 311,033 |
| Community assets | 23 | | | | | | 23 |
| Development sites | 6,302 | 1,408 | | | | -4,767 | 2,943 |
| Other land and buildings | 5,555 | | -280 | 555 | -24 | -37 | 5,768 |
| Vehicles Plant and equipment | - | 162 | | | | | 162 |
| Non-operational assets | | | | | | | |
| Asset held for sale | 174 | | -174 | 52 | | 37 | 89 |
| Total Net Fixed Assets | 312,389 | 9,720 | -2,716 | 7,241 | -6,616 | - | 320,017 |

In 2022/23 the Council Dwelling stock was revalued and increased in value by £6.635m (increase of £20.313m in 2021/22).

2. Vacant Possession Value of Dwellings

The open market vacant possession of dwellings including land within the HRA at 31 March 2023, at March 2023 prices, is £889m (March 2022 £858m). The value of dwellings net of the social element factor (35%) is £311m. The difference of £578m between the vacant possession value and Balance Sheet value of dwellings within the HRA shows the economic cost of providing council housing at less than open market rents.

3. Major Repairs Reserve (MRR)

An analysis of the gross movements on the MRR is shown below. Note that the Council does not operate a housing repairs account.

| Major Repairs Reserve | |
|--|----------------|
| 2021/22 | 2022/23 |
| £000 | £000 |
| -5,965 Balance at 1 April | -4,556 |
| -6,681 Transferred in | -6,615 |
| 8,090 Financing of Capital expenditure | 7,724 |
| - Contribution towards repayment of debt | - |
| -4,556 Balance at 31 March | -3,447 |

4. Capital Expenditure

A summary of total capital expenditure on land, houses and other property within the HRA is shown below:

| Funding HRA Capital Expenditure | | | | | | | | | | |
|--|----------------------|-------------------|--------------|--------------------|--|------------------|----------------------|-------------------|------------|--------------------|
| Spend 2021/22 | Financing 2021/22 | | | | Capital schemes <i>Figures in £000s</i> | Spend 2022/23 | Financing 2022/23 | | | |
| | Capital receipts | Capital grants | Borrowing | Revenue funding | | | Capital receipts | Capital grants | Borrowing | Revenue funding |
| 8,316 | - | 426 | - | 7,890 | Major Works Programme | 7,759 | - | 197 | - | 7,562 |
| - | - | - | - | - | Investment Technology | 162 | - | - | - | 162 |
| 6,145 | 2,137 | 140 | 3,868 | - | New Build and Development | 1,408 | 808 | - | 600 | - |
| 356 | - | - | - | 356 | Independent Living Modernisation | 391 | - | - | - | 391 |
| 14,817 | 2,137 | 566 | 3,868 | 8,246 | Total capital expenditure | 9,720 | 808 | 197 | 600 | 8,115 |

5. Capital Receipts

A summary of total capital receipts from the disposals of houses and other property within the HRA is shown below:

| HRA in year Capital Receipts | |
|--|----------------|
| 2021/22 | 2022/23 |
| £000 | £000 |
| 1,263 Council house sales | 4,298 |
| -13 Less: Cost of sales | -33 |
| 1,142 Other receipts | 593 |
| 2,392 Total capital receipts | 4,858 |
| -461 Less: Pooled receipts paid to Government | - |
| 1,931 Total usable capital receipts | 4,858 |

6. Rent Income

This is the total dwelling rent collectable for the year after allowance for empty property. At 31 March 2023 there were 103 vacant properties for rent representing 2.1% of the total (on 31 March 2022 the figures were 176 and 3.5%). The average weekly rent at 31 March 2023 was £89.13, an increase of £3.94 or 4.7%, over the previous year. This change is a composite figure that includes stock improvements, addition of new builds, inflation and the effect of sales.

7. Rent Arrears

During the year the amount of rent arrears, which include £367k in respect of former tenants, has decreased by £93k (12%). See also note 10.

| Analysis of rent arrears | |
|---|-------------------|
| 2021/22 | 2022/23 |
| £000 | £000 |
| 27 Court costs | 22 |
| 395 Current rent arrears | 293 |
| 353 Former tenant arrears | 367 |
| <u>775</u> Gross arrears at 31 March | <u>682</u> |

8. Non-dwelling Rents

Non-dwelling income is primarily from garage and shop rents.

9. Pensions Accounting

Under IAS 19 accounting rules, services must bear the full cost of pension liabilities. This also applies to HRA services. However, charges to or from the HRA are subject to a statutory determination and no regulation allows this IAS 19 charge to be made, therefore it is necessary to credit the HRA with these additional pension costs so that no further charge falls on the rents.

10. Allowance for Bad Debt

The cumulative allowance for uncollected rent payments and other debts was £0.850m at 31 March 2023 (£0.804m at 31 March 2022).

11. Depreciation, Impairment and Revaluation

The HRA incurs capital charges in respect of depreciation in accordance with the Item 8 Credit and Item 8 Debit (General) Determination for 2022/23. The depreciation charge is based upon a 33-year life of the operational dwellings, less an allowance for residual land value. The depreciation charge for dwellings is £6.592m (£6.033m in 2021/22). The depreciation charge for other buildings is £0.024m (£0.032m in 2021/22).

The debit of £10.326m to the HRA Income and Expenditure Statement includes upwards revaluations of properties of £7.241m (net of adjustments for depreciation and component replacement), with £10.951m transferring to the revaluation reserve (upwards net

revaluations of £21.245m, with £21.285m transferred from the revaluation reserve in 2021/22).

Depreciation, Impairment and Revaluation

| 2021/22 | 2022/23 |
|--|----------------------|
| £000 | £000 |
| -21,245 Revaluation per note 1 above | -7,241 |
| <u>21,285</u> Revaluation charged to revaluation reserve | <u>10,951</u> |
| 40 Revaluation charged to CIES | 3,710 |
| <u>6,057</u> Depreciation | <u>6,616</u> |
| <u>6,097</u> Balance at 31 March | <u>10,326</u> |

12. Capital Expenditure Funded by Revenue Under Statute

There has been no capital expenditure funded by revenue under statute (e.g. grants) attributable to the HRA during the year.

13. Gain (-) / Loss on Sale of HRA Fixed Assets

This includes the costs of the team administering the Right to Buy sales of HRA properties to the tenants (see note 1). The costs are charged against the capital receipt that they generate and are reversed in the Statement of Movement on the HRA Balance.

Collection Fund

| 2021/22 | | | | notes | 2022/23 | | |
|---|---------------------|---------------|---|-------|------------------------|---------------------|---------------|
| Business rates £000 | Council tax £000 | Total £000 | Income | | Business rates £000 | Council tax £000 | Total £000 |
| - | -90,744 | -90,744 | Council tax receivable | 16 | - | -95,396 | -95,396 |
| -25,187 | | -25,187 | Net rates payable by ratepayers | 18 | -26,773 | | -26,773 |
| Expenditure | | | | | | | |
| Apportionment of previous year surplus / deficit (-) | | | | | | | |
| -5,357 | - | -5,357 | Central Government | | -3,423 | - | -3,423 |
| -4,286 | -39 | -4,325 | Stroud District Council | | -2,739 | -85 | -2,824 |
| -1,071 | -173 | -1,244 | Gloucestershire County Council | | -685 | -376 | -1,061 |
| - | -33 | -33 | Gloucestershire Police and Crime Commissioner | | - | -72 | -72 |
| Precepts / shares | | | | | | | |
| 14,545 | - | 14,545 | Central Government | | 13,201 | - | 13,201 |
| 11,636 | 9,913 | 21,549 | Stroud District Council | | 10,561 | 10,334 | 20,895 |
| 2,909 | 64,223 | 67,132 | Gloucestershire County Council | | 2,640 | 67,403 | 70,043 |
| - | 12,309 | 12,309 | Gloucestershire Police and Crime Commissioner | | - | 13,007 | 13,007 |
| - | 4,380 | 4,380 | Parish and Town Councils | | - | 4,636 | 4,636 |
| Charges to collection fund | | | | | | | |
| 161 | - | 161 | Less: Write-offs / Write-ons (-) of uncollectable amounts | | 115 | - | 115 |
| -414 | 65 | -349 | Less: Increase / decrease (-) in bad debt provision | | -244 | 365 | 121 |
| 598 | - | 598 | Less: Increase / decrease (-) in provision for appeals | | -672 | - | -672 |
| 156 | - | 156 | Less: Cost of collection | | 157 | - | 157 |
| - | - | - | Interest | | - | - | - |
| 96 | -1 | 95 | Less: Transitional protection payments | | -4 | -1 | -5 |
| 1,311 | -321 | 990 | Less: Disregarded amounts | | 1,312 | -4 | 1,308 |
| -4,903 | -421 | -5,324 | Surplus (-) / deficit for the year | | -6,554 | -189 | -6,743 |
| 12,614 | 1,100 | 13,713 | Balance at 1 April | | 7,711 | 679 | 8,389 |
| 7,711 | 679 | 8,389 | Balance at 31 March | | 1,157 | 490 | 1,646 |

Notes to the Collection Fund

14. General

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement to local authorities, and the government of council tax and non-domestic rates shows the transactions of the billing council in relation to the collection from taxpayers and distribution.

15. Council Tax Base

The Council's tax base represents the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts, premiums and exemptions apply) converted by a prescribed ratio to give an equivalent number of "band D" dwellings. The band D equivalent is adjusted by 1% to cover appeals, changes in discounts and bad debts that arise. The tax base for 2022/23 was calculated as follows:

| Council Tax Base | | | |
|-------------------------|---|--------------|------------------------------------|
| Band | Estimated number of properties after effect of discounts | Ratio | Band D equivalent dwellings |
| DISR A | 13.24 | 5/9 | 7.36 |
| A | 4,700.44 | 6/9 | 3,133.63 |
| B | 9,870.13 | 7/9 | 7,676.77 |
| C | 11,036.74 | 8/9 | 9,810.44 |
| D | 7,719.44 | 9/9 | 7,719.44 |
| E | 6,688.95 | 11/9 | 8,175.38 |
| F | 4,048.99 | 13/9 | 5,848.54 |
| G | 2,451.08 | 15/9 | 4,085.13 |
| H | 227.00 | 18/9 | 454.00 |
| | <u>46,756.01</u> | | <u>46,910.68</u> |
| | Less: Adjustment for collection rate (1%) | | <u>-469.14</u> |
| | Council Tax Base | | <u>46,441.54</u> |

16. Council Tax Income

The council tax base can be reconciled to the income from council tax as follows:

| Income from Council Tax | | |
|---------------------------------------|----------------|----------------|
| | 2021/22 | 2022/23 |
| Total council tax base (see note 15) | 45,573.57 | 46,441.54 |
| Multiplied by average band D tax rate | £1,992.93 | £2,053.77 |
| | £000 | £000 |
| Total property income | -90,825 | -95,380 |
| Add: Transitional relief | 1 | 1 |
| Add: Other adjustments | 80 | -17 |
| Income from Council Tax | -90,744 | -95,396 |

17. Council Tax Rates

| Council Tax Rates by Precepting Body and Band | | | | | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Precepting body | Band | | | | | | | | |
| | disr A | A | B | C | D | E | F | G | H |
| | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| District council | 123.62 | 148.35 | 173.07 | 197.80 | 222.52 | 271.97 | 321.42 | 370.87 | 445.04 |
| County council | 806.31 | 967.57 | 1,128.84 | 1,290.10 | 1,451.36 | 1,773.88 | 2,096.41 | 2,418.93 | 2,902.72 |
| Police authority | 155.60 | 186.72 | 217.84 | 248.96 | 280.08 | 342.32 | 404.56 | 466.80 | 560.16 |
| Average parish | 55.45 | 66.54 | 77.63 | 88.72 | 99.81 | 121.99 | 144.17 | 166.35 | 199.62 |
| Total | 1,140.98 | 1,369.18 | 1,597.38 | 1,825.57 | 2,053.77 | 2,510.16 | 2,966.56 | 3,422.95 | 4,107.54 |

(Note: band 'disr A' is for band A properties that receive relief)

18. Income from Business Ratepayers

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA), multiplied by a uniform business rate set nationally by Central Government.

Local authorities retain a proportion of the total collectable rates due. In 2022/23, Stroud's local share is 40% with the remainder due to Central Government (50%) and Gloucestershire County Council (10%).

The net business rates for 2022/23 were estimated before the start of the year at £26.402m (£10.561m to Stroud, £2.640m to Gloucestershire County Council and £13.201m to Central Government). In addition, a share of the estimated collection fund deficit from 2021/22 of £6.861m has been charged to the collection fund and distributed according to the relevant shares. Stroud's share of the estimated deficit paid was £2.744m.

Net Rates Payable by Ratepayers

| | £000 | £000 |
|--|----------------|----------------|
| | 2021/22 | 2022/23 |
| Gross rates payable by ratepayers | 39,322 | 38,220 |
| <i>Less:</i> | | |
| Transitional relief | 96 | -4 |
| Mandatory reliefs | -7,470 | -7,165 |
| Unoccupied property relief | -1,190 | -1,244 |
| Discretionary reliefs (unfunded) | -297 | -174 |
| Discretionary reliefs (funded through s31 grant) | -5,274 | -2,860 |
| Total cost of reliefs | -14,135 | -11,447 |
| Net Rates Payable by Ratepayers | 25,187 | 26,773 |

Net rates payable is then adjusted for estimates of uncollectable debts, appeals provisions and any sums directly allocated to authorities to give a total non-domestic rating income in 2022/23 of £26.110m (£23.277m in 2021/22).

For 2022/23, the total non-domestic rateable value at the year-end is £83.061m (£81.277m in 2021/22). The national multipliers for 2022/23 were 49.9p for qualifying Small Businesses, and the standard multiplier being 51.2p for all other businesses (49.9p and 51.2p respectively in 2021/22).

19. Business Rate Net Share

The income credited to the Comprehensive Income and Expenditure Statement for business rates is £5.062m (2021/22 £4.648m). This comprises as follows:

| Net Share from Business Rates | | |
|--|----------------|----------------|
| | £000 | £000 |
| | 2021/22 | 2022/23 |
| SDC local share | 11,636 | 10,560 |
| <i>Add:</i> Share actual prior year deficit / surplus (-) | 5,045 | 3,085 |
| <i>Less:</i> Share of estimated prior year deficit (-) / surplus | -4,286 | -2,744 |
| <i>Less:</i> Share of current year deficit (-) / surplus | -3,085 | -463 |
| | 9,310 | 10,438 |
| <i>Less:</i> Tariff payment to Government Levy | -7,978 | -7,978 |
| | -1,184 | -1,278 |
| <i>Add:</i> Section 31 grant | 1,585 | 2,573 |
| Section 31 grant - related to Covid Support | 2,197 | 549 |
| Renewable energy schemes | 319 | 319 |
| Net income from business rates | 4,249 | 4,623 |
| <i>Add:</i> Gloucestershire BR pool surplus / deficit (-) | 399 | 439 |
| Net income from business rates | 4,648 | 5,062 |

20. Apportionment of Collection Fund Balances

The year-end balances on the Collection Fund are apportioned between the major preceptors and will be distributed in future years. The balances at the end of 2022/23 are as follows:

| Share of Collection Fund | | |
|------------------------------------|--------------------|-----------------------|
| | £000 | £000 |
| | Council tax | Business rates |
| Stroud District Council | -82 | -463 |
| Gloucestershire County Council | -343 | -116 |
| Gloucestershire Police | -65 | - |
| Central Government | - | -578 |
| Total surplus / deficit (-) | -490 | -1,157 |

The significant deficit within the Collection Fund due to Business Rates has reduced in 2022/23 with the effects of Covid-19 starting to drop out, Stroud District Council now has an overall Collection Fund deficit figure of £0.545m (£3.196m 2021/22).

21. Council tax and Business Rate Provision for Bad Debts

A Council Tax provision was made during 2022/23 amounting to £365k (£67k 2021/22). This was calculated using CIPFA Guidelines. The total amount of the provision at 31 March 2023 is £1.065m and represents 19% of the £5.506m debt outstanding (£0.874m, 20% and £4.392m at 31 March 2022).

The Business Rate provision for bad debts is £1.004m and represents 37% of the £2.741m outstanding amount (£1.248m, 55% and £2.274m at 31 March 2022).

INDEPENDENT AUDITOR'S REPORT

Keep free for opinion

Keep free for opinion

Keep free for opinion

Keep free for opinion

Glossary

The following are expressions and terms used in these accounts that are not explained elsewhere. Words referred to in *italics* are contained in the glossary.

| | |
|---|--|
| Accounting Policies | The specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements. |
| Actual | Financial transactions that have occurred in the year. |
| Actuary | Person professionally trained in the technical aspects of pensions, insurance and related fields. The actuary estimates how much money must be contributed to an insurance or pension fund in order to provide future benefits. |
| Appropriation | Transfer to or from a <i>revenue</i> or capital reserve. |
| Balances | The amount remaining at the end of the year after income and expenditure has occurred. May refer to the amount available to meet expenditure in future years. |
| Budget | A statement defining the Council's policy over a specified period in terms of finance. |
| Business Rates Retention (BRR) | A change in the administration of business rates funding whereby a greater proportion of business rates income may be retained locally. |
| Capital Charges | Where a service owns a fixed asset to provide those services [operational assets] or holds an asset for future development or investment [non-operational assets] it bears a cost of its use. This represents depreciation (where appropriate). Maintenance of the asset is a <i>revenue</i> cost. |
| Capital Expenditure | Spending on assets that have a long-term use such as purchase or improvement of land, buildings and equipment. Where the asset is not owned by the Council that expenditure is <i>revenue expenditure funded by capital under statute</i> . |
| Capital Receipts | Income from the sale of capital assets such as land and council houses. Capital receipts can only be used (subject to certain legal exceptions) to finance new <i>capital expenditure</i> . |
| Change in Accounting Estimate | Is an adjustment of the carrying amount of an asset or a liability or the amount of the periodic consumption of an asset that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not correction of errors. |
| Chartered Institute of Public Finance and Accountancy (CIPFA) | CIPFA is the professional body of accountants and auditors working in local government and public services. Membership of the Institute is by way of examination and entitles members to use the letters CPFA (Chartered Public Finance Accountant) after their names. The Institute provides financial and statistical information services and advises central government and other bodies on local government and public finance matters. It also publishes accounting requirements and accounting standards, |

| | |
|---|--|
| | including those relating to the production of statement of accounts. |
| Collection Fund | Stroud District Council collects council tax and business rates on behalf of a number of public bodies – Gloucestershire County Council, Gloucestershire Police and Crime Commissioner and town and parish councils. Also, the Council is lead authority of the Gloucestershire Business Rates Pool. The Collection Fund account is separate to the Council's normal funds, belonging collectively to these bodies. |
| Corporate and Democratic Core (CDC) | Comprises two divisions of service: democratic representation and management (DRM) and corporate management (CM). If anything does not fall within the definitions given for either DRM or CM, then it cannot be within CDC. DRM concerns corporate policy-making and all other member-based activities. CM concerns those activities and costs that relate to the general running of the Council. These provide the infrastructure that allows services to be provided, whether by the Council or not, and the information required for public accountability. Activities relating to the provision of services, even indirectly, are overheads on those services, not CM. |
| Curtailment | A curtailment for a defined benefit pension scheme is an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of the defined benefit for some or all of their future service. Curtailments include: Termination of employees' services earlier than expected, for example as a result of discontinuing a segment of business. Termination or amendment of the terms of a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will only qualify for reduced benefits. |
| Depreciation | Charges reflecting the decline in the value (not cost) of assets as a result of their usage or ageing. |
| Estimate | Often used instead of the word <i>budget</i> , and is a forecast of income and expenditure for the year. |
| Forecast Gloucestershire Business Rates Pool (GBRP) | An estimate of income and expenditure in a financial year. Set up to maximise business rates income retained within the county. Currently, Gloucestershire County, Cheltenham Borough, Cotswold District, Forest of Dean District, Gloucester City, Tewkesbury Borough and Stroud District councils. |
| General Fund | The account that records and finances Council <i>revenue</i> expenditure, other than <i>HRA</i> . |
| Housing Revenue Account (HRA) | A separate statutory account dealing with the <i>revenue</i> income and expenditure arising from the provision of Council-owned and managed dwellings. |
| IAS 19 | International Accounting Standard 19 <i>Employee Benefits</i> is the accounting requirement as regards pensions that local authorities |

| | |
|---------------------------------------|---|
| | must fully recognise in the publication of their statement of accounts. |
| Intangible Asset | Expenditure on assets that gives access to a future economic benefit that is controlled by the Council such as software licences. |
| Impairment | Values of individual assets and categories of assets that are reviewed for evidence of reductions in value. |
| Investment Assets | Interest in land and/or buildings which is held for its investment potential, any rental being negotiated at arm's length. |
| Material | Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessment of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or combination of both, could be the determining factor. |
| Medium Term Financial Plan (MTFP) | The Council's rolling five-year estimate of all effects on the <i>General Fund</i> , including inflation, government grants, service changes, base rate changes and the <i>tax base</i> . |
| Net Cost | The cost of continuing operations after deducting specific grants and income from fees and charges. |
| National Non-domestic Rates 1 (NNDR1) | An annual estimate of business rate income submitted to government by a billing authority. |
| NNDR3 | An annual declaration of actual business rate income submitted to government by a billing authority. |
| Non-distributed Costs | Elements that are excluded from recharge to the total cost of a service but limited to: past service costs, settlement costs, curtailments, unused share of IT facilities and cost of shares of other long-term unused but unrealisable assets. |
| Overspend | Where <i>actual</i> expenditure is more than the <i>budget</i> . |
| Precept | A levy made by the Police and Crime Commissioner, county council, district council or parish/town councils on the <i>Collection Fund</i> to provide the required income from council taxpayers and business ratepayers on their behalf. |
| Prospective Application | Of a change in accounting policy and of recognising the effect of a change in an accounting estimate, respectively, are: Applying the new accounting policy to transactions, other events and conditions occurring after the date at which the policy is changed, and Recognising the effect of change in the accounting estimate in the current and future periods affected by the change. |
| Public Works Loan Board (PWLB) | An institution that borrows money on behalf of the government and lends it to public bodies that meet its borrowing criteria. |
| Retrospective Application | Is applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied. |

| | |
|---|---|
| Retrospective Restatement | Is correcting the recognition, measurement and disclosure of amounts of elements of financial statements as if a prior period error had never occurred. |
| Revenue Expenditure Funded by Capital Under Statute | Expenditure which does not result in, or remain matched with, assets controlled by the Council, such as housing improvement grants. They do not appear on the Council's Balance Sheet. |
| Revenue | This word is used in two different contexts: 1) sources of income, and 2) expenditure that is not of a <i>capital</i> nature such as general running costs including salaries and capital financing costs. |
| Revenue Support Grant (RSG) | A grant paid by or to central government to or from local authorities to support general <i>revenue</i> expenditure and not for specific services. |
| Right-to-Buy (RTB) | Legislation allows tenants of local council dwellings to buy their property, at a discount, after a qualifying period as local council tenants. The net income from the sale is a <i>capital receipt</i> . |
| Rounding | Figures in the Statement of Accounts are generally presented in thousands and are rounded using the convention $2.5 = 3$ and $2.4 = 2$. Applied with consistency this can lead to obvious and simple arithmetic errors, for example $2.4 + 2.4 = 4.8$ becomes $2 + 2 = 5$. Where possible the arithmetic integrity of the figures is maintained by making simple adjustments. Sometimes, however, the interrelation of figures within the Statement of Accounts does not permit simple adjustment. In this Statement of Accounts the following sentence is appended where a table contains figures that do not strictly add up, 'Table contains rounding (see Glossary) which can affect the arithmetic accuracy of the figures'. |
| Settlement | An irrevocable action that relieves the employer (or defined benefit scheme) of the primary responsibility for the pension obligation and eliminates risks relating to the obligation and the assets used to effect the settlement. Settlements include: A lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits, The purchase of an irrevocable annuity contract sufficient to cover vested benefits, and The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme. |
| Tax Base | Used to measure the taxable value of properties in a council's area based upon numbers of properties in each tax band. |
| Underspend | Where <i>actual</i> expenditure is less than the <i>budget</i> . |

Feedback form – your views

We would like to know what you think about this Statement of Accounts in order to make future statements more usable for readers. They are made available on the Council’s website at www.stroud.gov.uk/accounts

Please note that the majority of information in the Accounts is prescribed by regulations that the Council is obliged to follow.

Please take a few minutes to answer the questions below, cut along the dotted line, and send the form to:

Financial Services, Stroud District Council, Ebley Mill, Ebley Wharf, Stroud GL5 4UB
Alternatively, comments can be made to:

Andrew Cummings, Strategic Director of Resources
Tel: 01453 754115 Email: finance@stroud.gov.uk

You can give your name and address if you wish.

Do you think the Statement of Accounts is easy to read? Yes No

Do you think it is informative? Yes No

How could we improve the Statement of Accounts?

.....
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Do you have any further comments on the services provided by Stroud District Council or the information in these Accounts?

.....
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Your name

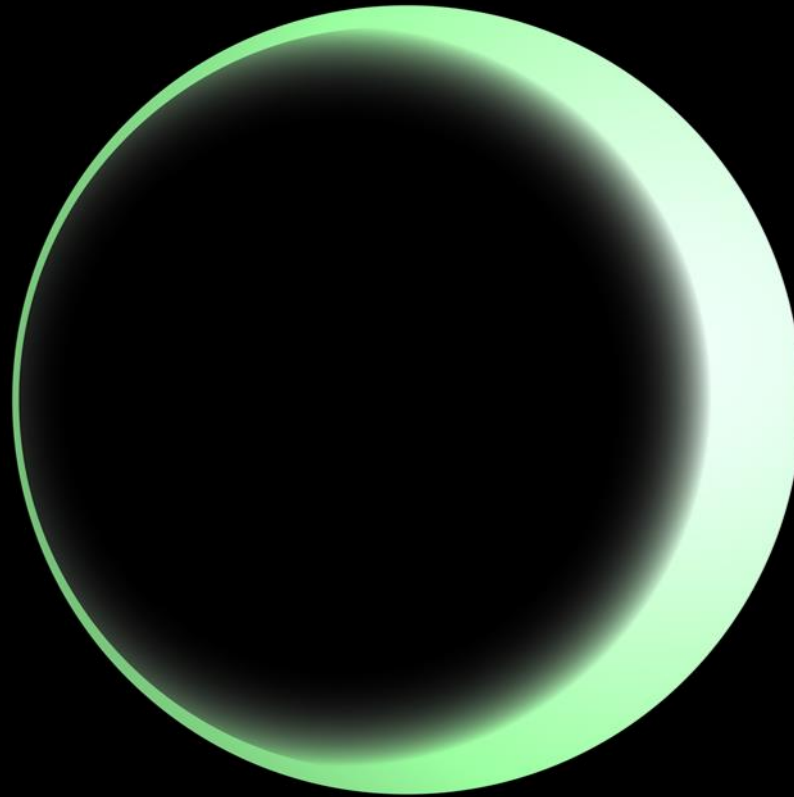
Your address.....

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Telephone.....Email.....

Thank you

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Stroud District Council

**Planning report to the Audit & Standards Committee on 2022/23 audit –
Issued on 6 July 2023 (Draft)**

Contents

01 Planning report

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02 Appendices

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Audit lead introduction

The key messages in this report:

I have pleasure in presenting our planning report to the Audit & Standards Committee for the audit of the 2022/23 financial statements. I would like to draw your attention to the key messages of this paper:

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

Audit Plan

We have updated our understanding of the Council through discussion with management and review of relevant documentation from across the Council.

Based on these procedures, we have developed this plan in collaboration with the Council to ensure that we provide an effective audit service that meets your expectations and focuses on the most significant areas of importance and risk to the Council.

Significant Audit Risks

We have taken an initial view as to the significant audit risks the Council faces. These have been identified as:

- Capital expenditure; and
- Management Override of Controls

In addition, other area of audit focus is identified as the pension liability.

Our Commitment to Quality

We are committed to providing the highest quality audit, with input from our market leading specialists, sophisticated data analytics and our wealth of experience.

Responsibilities of the Audit & Standards Committee

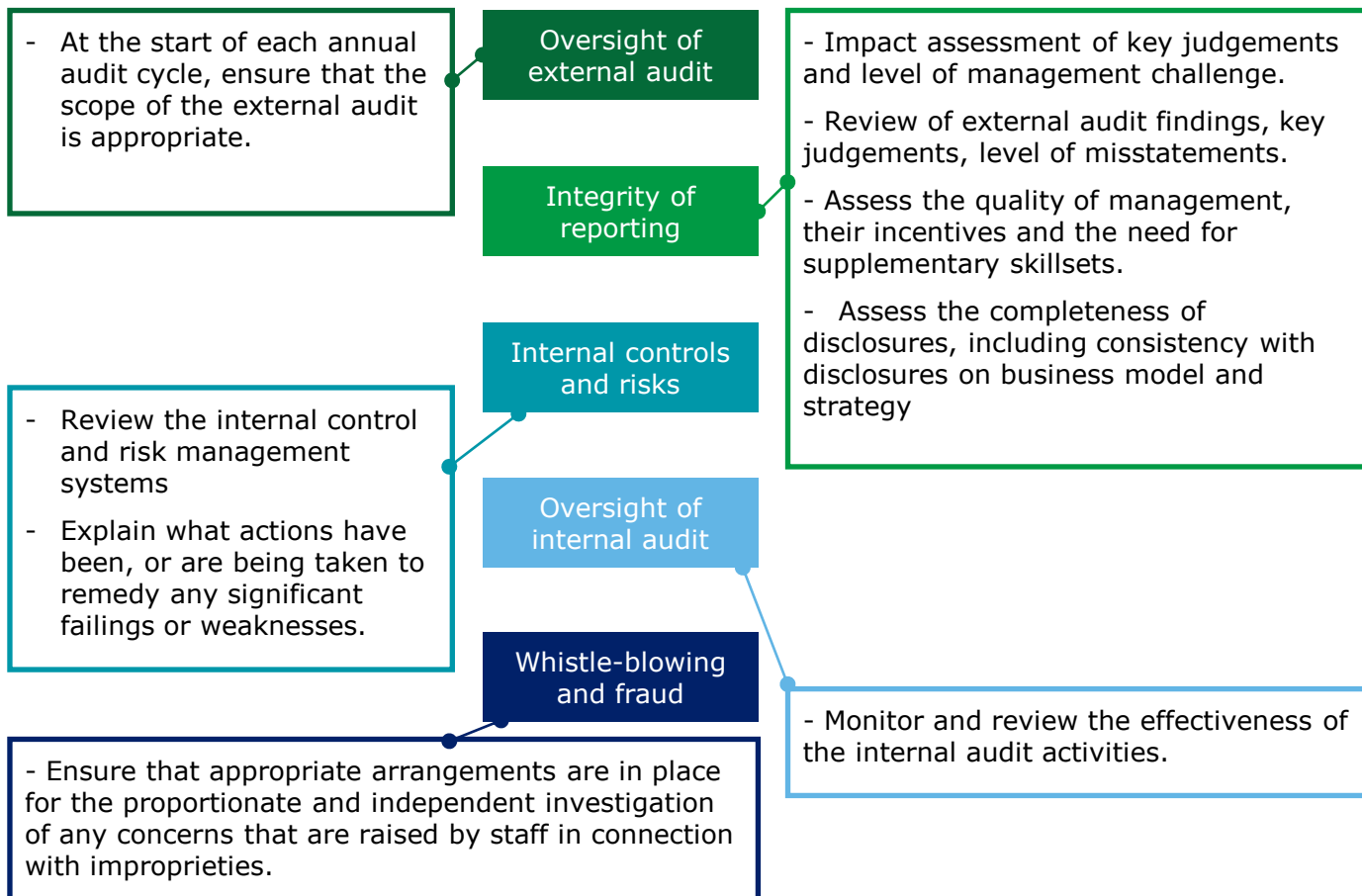
Helping you fulfil your responsibilities

Why do we interact with the Audit & Standards Committee?

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As a result of regulatory change in recent years, the role of the Audit & Standards Committee has significantly expanded. We set out here a summary of the core areas of Audit & Standards Committee responsibility to provide a reference in respect of these broader responsibilities.



Your control environment

What we consider when we plan the audit

Responsibilities of management

We expect management and those charged with governance to recognise the importance of a strong control environment and take proactive steps to deal with deficiencies identified on a timely basis.

Auditing standards require us to only accept or continue with an audit engagement when the preconditions for an audit are present. These preconditions include obtaining the agreement of management and those charged with governance that they acknowledge and understand their responsibilities for, amongst other things, internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

FRC guidance on good practice

The FRC, in its Review of Governance Reporting, issued November 2021, has identified good practice as including a detailed description of the process for reviewing the effectiveness of risk management and internal control systems and clarity on what the outcome of the review. This would include whether any weaknesses or inefficiencies were identified and explanations of what actions the board has taken, or will take, to remedy these.

Performance materiality



We set performance materiality as a percentage of materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed materiality. We determine performance materiality, with reference to factors such as the quality of the control environment and the historical error rate. Where we are unable to rely on controls, we may use a lower level of performance materiality.

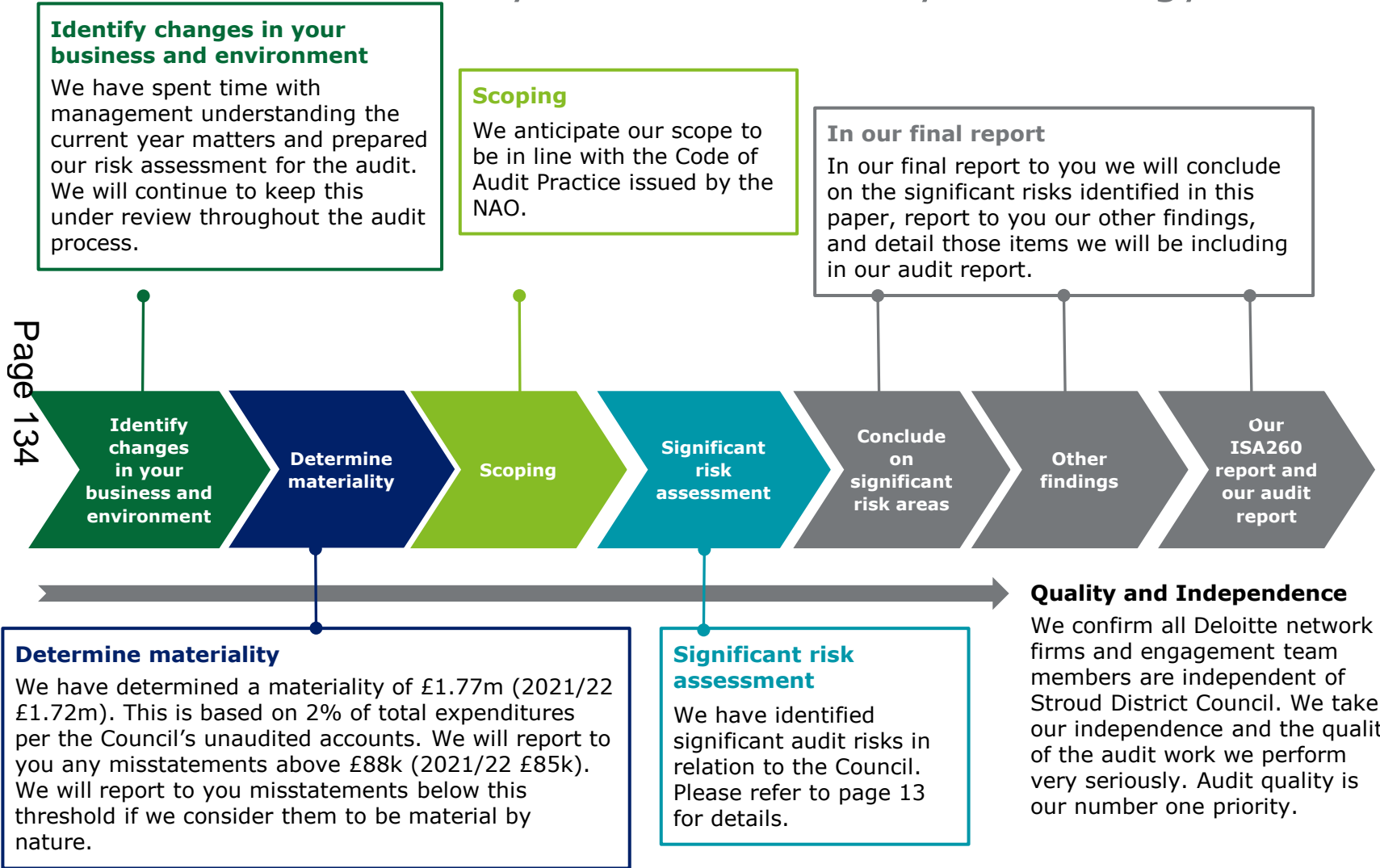
Responsibilities of the Audit & Standards Committee

As previously noted in the Responsibilities of the Audit & Standards Committee on page 4, the Audit & Standards Committee is responsible for:

- Reviewing internal financial controls and internal control and risk management systems (unless expressly addressed by a separate risk committee).
- Monitoring and reviewing the effectiveness of the internal audit function; where there isn't one, explaining the absence, how internal assurance is achieved, and how this affects the work of external audit.
- Explaining what actions have been, or are being taken to remedy any significant failings or weaknesses.

Our audit explained

We tailor our audit to your business and your strategy



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Scope of work and approach

Scope: we have three key areas of responsibility under the Audit Code

Financial statements

We will conduct our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISA (UK and Ireland)") as adopted by the UK Auditing Practices Board ("APB") and Code of Audit Practice issued by the National Audit Office ("NAO"). The Council will prepare its accounts under the Code of Practice on Local Authority Accounting ("the Code") issued by CIPFA and LASAAC.

We are also required to issue a separate assurance report to the NAO on the Council's separate return required for the purposes of its audit of the Whole of Government Accounts and departmental accounts.

Annual Governance Statement

We are required to consider the completeness of the disclosures in the Annual Governance Statement in meeting the relevant requirements and identify any inconsistencies between the disclosures and the information that we are aware of from our work on the financial statements and other work.

As part of our work we will review the annual report and compare with other available information to ensure there are no material inconsistencies. We will also review any reports from other relevant regulatory bodies and any related action plans developed by the Council.

Value for Money (VfM) conclusion

We are required to satisfy ourselves that the Council has made proper arrangements for securing financial resilience and economy, efficiency and effectiveness in its use of resources.

We will need to assess three areas as part of our procedures:

- Financial sustainability;
- Governance and Improving economy; and
- Efficiency and effectiveness.

This will require a minimum level of work at every local public body, with additional risk based work where relevant.

Scope of work and approach

Our approach

Liaison with internal audit

The Auditing Standards Board’s version of ISA (UK and Ireland) 610 “Using the work of internal auditors” prohibits use of internal audit to provide “direct assistance” to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements.

We will review their reports and meet with them to discuss their work where necessary. We will review the work plan for internal audit, and where they have identified specific material deficiencies in the control environment we consider adjusting our testing so that the audit risk is covered by our work.

Using these discussions to inform our risk assessment, we can work together with internal audit, where necessary, to develop an approach that avoids inefficiencies and overlaps, therefore avoiding any unnecessary duplication of audit requirements on the Council's staff.

Approach to controls testing

Our risk assessment procedures will include obtaining an understanding of controls considered to be ‘relevant to the audit’. This involves evaluating the design of the controls and determining whether they have been implemented (“D&I”).

The results of our work in obtaining an understanding of controls will be collated and the impact on the extent of substantive audit testing required will be considered.

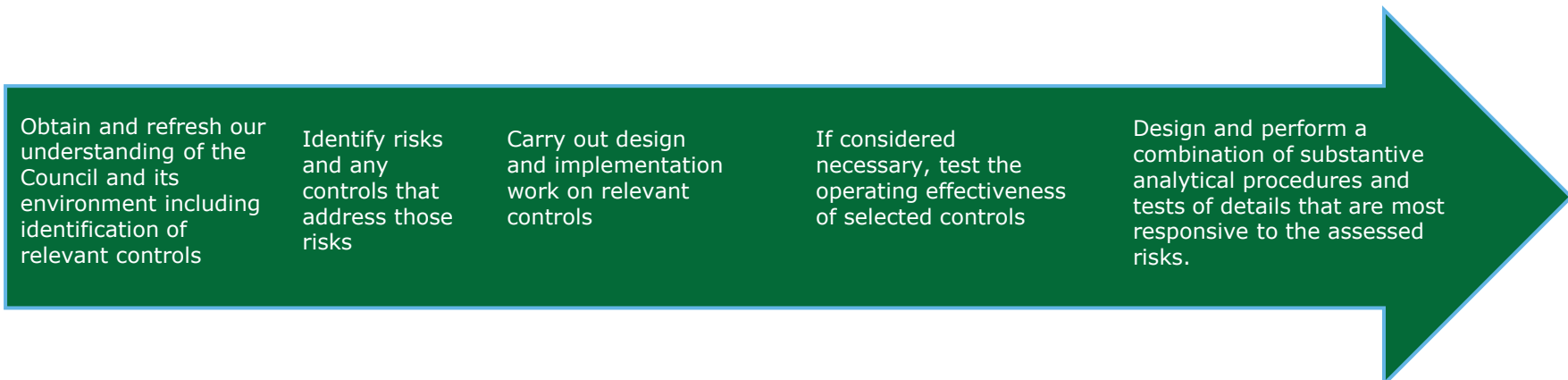
Promoting high quality reporting to stakeholders

We view the audit role as going beyond reactively checking compliance with requirements: we seek to provide advice on evolving good practice to promote high quality reporting.

We recommend the Council to complete the Code checklist during drafting of their financial statements.

We would review the existing format of the financial statements, and assess if there is any scope for simplifying or streamlining disclosures.

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Scope of work and approach

Our approach (Continued)

Value for Money and other reporting

The Updated Code of Audit Practice changes the approach of external audit work away from the auditor performing a risk assessment, and then only performing further work if a significant risk were identified, to specifying procedures that will need to be undertaken in each of three areas – Financial sustainability; Governance and Improving economy, efficiency and effectiveness.

This will require a minimum level of work at every local public body, with additional risk based work where relevant. The National Audit Office (NAO) has recently issued an audit procedures scope and discussions on implementation are ongoing.

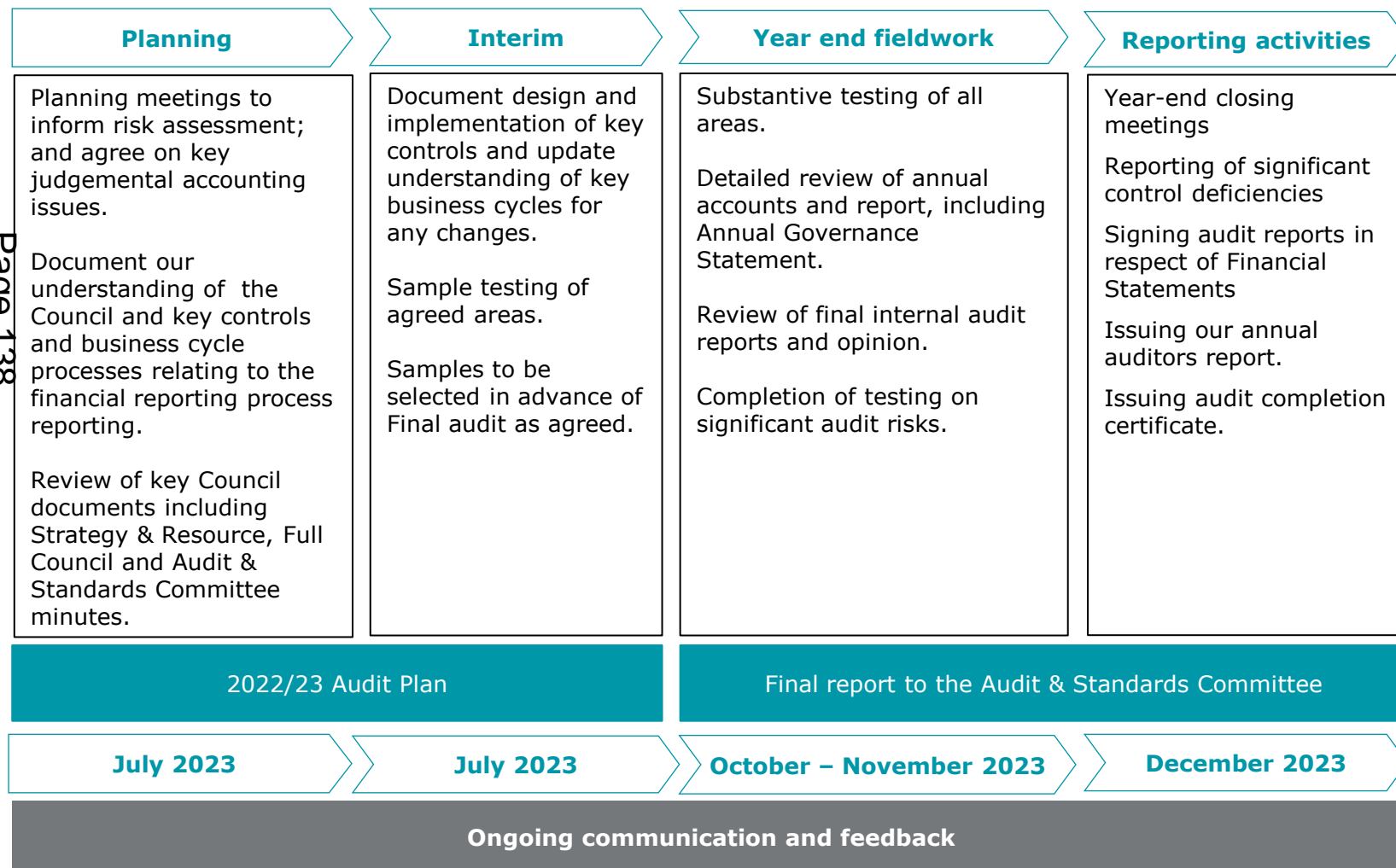
We will report by exception any matters we identify that indicate the Governance Statement does not comply with the CIPFA guidance, or is misleading or inconsistent with information of which we are aware from our audit. We are not required to consider, nor will we consider, whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Continuous communication and reporting

Planned timing of the audit

As the audit plan is executed throughout the year, the results will be analysed continuously and conclusions (preliminary and otherwise) will be drawn. The following sets out the expected timing of our reporting to and communication with you. Please note timing of the Grant work will be communicated separately.

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Materiality

Our approach to materiality

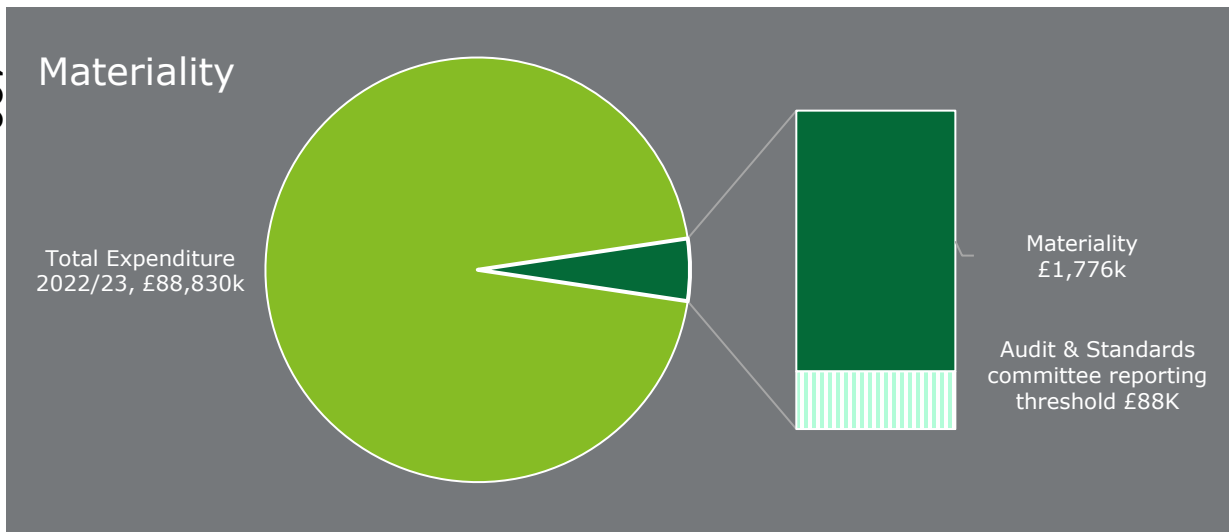
Basis of our materiality benchmark

- The audit lead has determined materiality as £1.77m (2021/22 £1.72m), based on professional judgement, the requirement of auditing standards and the financial measures most relevant to users of the financial statements.
- We have used 2% of total expenditure based on the Council's unaudited accounts for year 2022/23 as the benchmark for determining materiality.

Reporting to those charged with governance

- We will report to you all misstatements found in excess of £88k (2021/22 £85k).
- We will report to you misstatements below this threshold if we consider them to be material by nature.

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Although materiality is the judgement of the audit lead, the Audit & Standards Committee must satisfy themselves that the level of materiality chosen is appropriate for the scope of the audit.

Agenda Item 7

Significant risks

Our risk assessment process

We consider a number of factors when deciding on the significant audit risks. These factors include:

- the significant risks and uncertainties previously reported in the annual report and financial statements;
- the IAS 1 critical accounting estimates previously reported in the annual report and financial statements;
- our assessment of materiality; and
- the changes that have occurred in the business and the environment it operates in since the last annual report and financial statements.

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Expected principal risks

- Property valuations
- Impairment
- Pension Liability
- Provision for Business Rates Appeals
- Funding Settlement
- Regulatory

IAS 1 Critical accounting estimates

- Impairment
- Provisions and contingencies
- Property valuations

Changes in your business and environment

No significant changes.

Deloitte view

Management must carefully consider the principal risks, uncertainties and accounting estimates of the Council.









The next page summarises the significant risks that we will focus on during our audit.

We have rebutted this risk of fraud in revenue recognition since the Council’s revenue mainly comprises council tax income, business rates and other government grants where no such complex estimates or judgements are involved.

We have downgraded the risk of car parks valuation being significant risk in prior year to normal risk in current year given that full valuations were reviewed during last year and no such significant differences were noted. We will continue to consult with our Property Valuation Specialists over the testing of property valuation balance.


Consistent with prior year, we have also not considered valuation of the pension fund liabilities as significant risk given that both the Goodwin and McCloud items were immaterial in the prior years with no expectation for their impact to differ in the coming year. We will continue to consult with our Pensions Specialists over the testing of this balance.


Significant Audit Risks Dashboard


| Risk | Material | Fraud risk | Planned approach to controls | Level of management judgement | Expected to be included in our report to the Audit & Standards Committee | Slide no. |
|---------------------------------|---|---|------------------------------|---|---|-----------|
| Capital expenditure |  |  | D+I |  |  | 14 |
| Management Override of Controls |  |  | D+I |  |  | 15 |

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D+I: Assessing the design and implementation of key controls

Low Level of Judgement 

Medium Level of Judgement 

High Level of Judgement 

Agenda Item 7

Significant Audit Risks

Risk 1 – Capital expenditure

Risk identified Under UK auditing standards, there is a presumed risk of revenue recognition due to fraud. We have rebutted this risk, and instead believe that the fraud risk lies with the capital expenditure.

The Council's capital expenditure in 2022/23 was £12,690k (2021/22 £17,695k).

There is an element of judgement in applying the relevant capitalisation criteria for expenditure. We therefore consider that there is an incentive for revenue expenditure to be capitalised so that this expenditure does not impact the statement of comprehensive income in one year, but is instead spread over a number of years through the depreciation charges in an attempt to report a more favourable year end position.

Our response Our work in this area will include the following:

- We will assess the design and implementation of the key controls in place in relation to the determination of capitalisation expenditure
- We will perform test of details of capital expenditures during the year 2022/23 on a sample basis to confirm that the capitalisation criteria has been met and complies with relevant accounting requirements.
- We will identify the journals of increased audit interest within capital expenditure i.e. debit to capital expenditure and credit to revenue expenditure and other material journals in capital expenditure (greater than 50% of our performance materiality) to ensure there are no errors that may result in material misstatement. The appropriateness of these journals would then be assessed through detailed testing.

Significant Audit Risks

Risk 2 – Management Override of Controls

Risk identified

In accordance with ISA 240 (UK) management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Council's controls for specific transactions.

The key judgments in the financial statements are those which we have selected to be the significant audit risks: capital expenditure, management override of controls. These are inherently the areas in which management has the potential to use their judgment to influence the financial statements.

Our response

In considering the risk of management override, we plan to perform the following audit procedures that directly address this risk:

Journals

- We will test the design and implementation of controls in relation to journals.
- We will make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.
- We will use computer-assisted profiling of all journals posted during the year to identify journals of increased audit interest. The appropriateness of these journals will then be assessed through detailed testing.

Significant transactions

- We will identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Accounting estimates

- We will perform design and implementation testing of the controls over key accounting estimates.
- We will review accounting estimates for biases including capital expenditure, that could result in material misstatements due to fraud.
- We will review the accuracy of prior year estimates.
- We will assess the design and implementation of controls relating to significant management estimates, in accordance with ISA540.

Other Areas of Audit Focus

Pensions Liability Valuation

Risk identified

The Council are part of the Local Government Pension Scheme operated by Gloucestershire County Council. The Council recognised a combined pensions liability of £39.6m at 31 March 2022 which has been moved from liability to surplus of £1.2m as at 31 March 2023 (shown as other long term assets on balance sheet). The Code requires that their year end carrying value should reflect the appropriate fair value at that date.

Hymans Robertson act as the Council's expert actuary, who produce a report outlining the liability and disclosures required.

The pensions valuation is an area of audit interest due to the material values attached to the valuations and disclosures in the financial statements. This has not been classified as a significant risk as both the Goodwin and McCloud items were immaterial in the prior years with no expectation for their impact to differ in the coming year, and we understand that the assumptions and methodologies used are mainly consistent with those in the previous years.

Our response

We carry out a separate, detailed risk assessment of each of the individual components of the calculation (for example market assumptions, membership data, assets and liabilities) using a developed methodology which takes into account factors such as an assessment of the actuary. We scope our work, including the nature and extent of our actuarial specialists involvement, in a way which responds to this detailed risk assessment. Should our risk assessment change our overall audit approach in respect of testing pensions, we will notify the Audit & Standards Committee.

We will confirm the disclosure of the pension figures in the statement of accounts agree with those provided by the scheme actuary.

We will request an IAS19 letter from the pension fund auditors.

Value for money

We are required to consider the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources. In accordance with Code of Audit Practice 2020 and related Auditor Guidance Note 03, we are required to:

- Perform work to understand the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources against each of the three reporting criteria (financial sustainability, governance, and improving economy, efficiency and effectiveness);
- Undertake a risk assessment to identify whether there are any risks of significant weaknesses in arrangements;
- If any risks of significant weaknesses are identified, perform procedures to determine whether there is in fact a significant weakness in arrangements, and if so to make recommendations for improvement;
- Issue a narrative commentary in the Auditor's Annual Report, setting out the work undertaken in respect of the reporting criteria and our findings, including any explanation needed in respect of judgements or local context for findings. If significant weaknesses are identified, the weaknesses and recommendations will be included in the reporting, together with follow-up of previous recommendations and whether they have been implemented. Where relevant, we may include reporting on any other matters arising we consider relevant to VFM arrangements, which might include emerging risks or issues.
- Where significant weaknesses are identified, report this by exception within our financial statement audit opinion.

AGN03 requires auditors to set out the results of their risk assessment, and we will report to a Audit & Standards Committee on any matters arising from this work.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to establish our respective responsibilities in relation to the financial statements audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit.

Our report includes:

- Our audit plan, including key audit judgements and the planned scope.

What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

Other relevant communications

We will update you if there are any significant changes to the audit plan.

Use of this report

This report has been prepared for the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

We welcome the opportunity to discuss our report with you and receive your feedback.

Deloitte LLP
Bristol | 6 July 2023

Appendices

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Agenda Item 7

Fraud responsibilities and representations

Responsibilities explained



Your Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.



Our responsibilities:

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in the significant risks section of this document, we have identified risks of material misstatement due to fraud in capital expenditure, and management override of controls.
- We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.
- We will communicate to you any other matters related to fraud that are, in our judgment, relevant to your responsibilities. In doing so, we shall consider the matters, if any, regarding management's process for identifying and responding to the risks of fraud and our assessment of the risks of material misstatement due to fraud.



Fraud Characteristics:

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

Fraud responsibilities and representations

Representations

We will request the following to be stated in the representation letter signed on behalf of the Council:

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity or group and involves:
 - (i) management;
 - (ii) employees who have significant roles in internal control; or
 - (iii) others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Fraud responsibilities and representations

Inquiries

We will make the following inquiries regarding fraud:



Management:

- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Management's process for identifying and responding to the risks of fraud in the entity.
- Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity.
- Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.
- We plan to involve management from outside the finance function in our inquiries.

Internal audit

- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.



Those charged with governance

- How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of those charged with governance on the most significant fraud risk factors affecting the entity.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

| | |
|----------------------------------|--|
| Independence confirmation | We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of Stroud District Council and will reconfirm our independence and objectivity to the Audit & Standards Committee for the year ending 31 March 2023 in our final report to the Audit & Standards Committee. |
| Fees | Details of the fees proposed for the period have been presented separately on the page 24. There are no non-audit fees. |
| Non-audit services | In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Council's approach for the supply of non-audit services, and we do not supply non audit service to the council. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary. |
| Relationships | We have not other relationships with the Council, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties. |

Independence and fees

The professional fees expected to be charged by Deloitte LLP in the period from 1 April 2021 to 31 March 2022 are as follows:

| | Current year £ (excluding VAT) | Prior year £ (excluding VAT) |
|--|-----------------------------------|---------------------------------|
| Stroud District Council Financial Statements | | |
| Financial statement audit including Whole of Government Accounts and procedures in respect of Value for Money assessment | 42,102 | 40,021 |
| Additional work on Value for Money Requirements | 11,000 | 11,000 |
| ISA540 scope change | 4,100 | 4,100 |
| Use of specialists | 4,950 | 4,950 |
| ISA315 and ISA240 revised | TBC | - |
| Audit Overruns* | TBC | 57,500 |
| Total fees | 62,152 | 117,571 |

We confirm all Deloitte network firms are independent of the Council. We take our independence and the quality of the audit work we perform very seriously. Audit quality is our number one priority

Deloitte fees and planned timescales for completion of the audit are based on the following assumptions:

- the financial statements are provided in accordance with the agreed timescales, to the quality expected and have been subject to a robust quality assurance review;
- information provided to support the financial statements is in accordance with the agreed audit deliverables document;
- appropriate accommodation and facilities are provided to enable the audit team to deliver the audit in an efficient manner;
- all appropriate officials will be available during the audit;
- you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that are required in the Letter of Representation addressed to the engagement lead; and
- Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.

Revisions to auditing standards coming into effect

ISA (UK) 315 – Identifying and Assessing the Risks of Material Misstatement

The International Auditing and Assurance Standards Board (IAASB) issued a revised risk assessment standard in December 2019, that takes effect for periods commencing on or after 15 December 2021. For most entities, this will be December 2022 year ends and later. The FRC has adopted the standard in the UK with minimal additions.

The revision was made to respond to challenges and issues with the current standard and requires a more robust risk identification and assessment. We had already incorporated many of the changes into our methodology in advance of the standard being introduced, but we summarise on the next few slides some of the areas where this may impact our audit.

"The IAASB recognizes the importance, and also the complexity, of the auditor's risk assessment process"

IAASB's basis for conclusions, ISA 315

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| Area of change | Impact on our audit | Impact on the entity |
|---|---|--|
| New requirement to evaluate the 4 entity-level components of internal control | <p>Whilst we have always been required to gain an understanding of the entity and its environment, including its internal controls, the new standard is more prescriptive on the need to go further and evaluate the 4 entity level controls components: the entity's control environment, risk assessment process, monitoring of internal control, and information system.</p> <p>This could lead to an increase in the number of relevant controls.</p> | <p>You will need to consider the adequacy of your entity-level controls, and documentation thereof.</p> <p>You should also expect more granular inquiries regarding the control environment.</p> |
| Enhanced consideration of the types of relevant controls | <p>Overall we expect to identify an increased number of relevant controls, particularly for controls designed to address risks at the higher end of the spectrum of inherent risk and controls over reconciliations. Where new relevant controls are identified, we may also identify control deficiencies and need to consider the effect of these.</p> | <p>You should expect more challenge of controls, particularly over complex accounting estimates, financial reporting and complex or highly automated business processes.</p> |

Agenda Item 7

Revisions to auditing standards coming into effect

ISA (UK) 315 – Identifying and Assessing the Risks of Material Misstatement

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| Area of change | Impact on our audit | Impact on the entity |
|--|---|---|
| Enhanced understanding of IT and General IT controls | <p>As we identify more relevant controls, it is likely there will be more relevant IT controls (e.g. automated controls) which themselves rely on underlying General IT Controls (GITCs).</p> <p>We may need more IT specialist involvement to gain an enhanced understanding of IT controls and GITCs, particularly where there are a high volume of automated transactions in the entity. Similarly, where new IT systems come into scope, the likelihood is that there will be an increase in the number of deficiencies identified and action will be needed to determine the appropriate response.</p> | You should expect more challenge over the effectiveness of your GITCs, including how these are monitored. |
| New approach to scoping account balances, classes of transactions and disclosures | We may now identify some account balances as “material but not significant” where we do not identify a risk of material misstatement, but where we are required to perform some substantive testing. | We may need to perform more substantive testing, where previously there was no separate category of material but not significant. |
| Revised definition of a significant risk, focused on risks at the upper end of a spectrum of inherent risk | We do not anticipate there being a significant increase in the number of significant risks identified, but where there are more material judgements or estimates being made and a significant risk has not been identified previously, we may conclude there is a significant risk. | You should expect more challenge on audits where before there were no significant risks beyond management override of controls. |
| Stand back requirement and increased focus on professional scepticism | Our audit approach already acknowledges that risk assessment is an iterative process as well as emphasising the importance of professional scepticism. We will use this as an opportunity to challenge ourselves on the evidence that professional scepticism has been applied through the risk assessment processes, including as part of the stand back assessment. | You should expect more challenge of the evidence provided in respect of our risk assessment, including revisiting this towards the concluding stage of the audit. |

Revisions to auditing standards coming into effect

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

The Financial Reporting Council (FRC) issued a revised fraud standard in May 2021, that takes effect for periods commencing on or after 15 December 2021 (i.e. December 2022 year ends).

Many of the revisions provide increased clarity as to the auditor's obligations and codify existing expectations or best practice. The updates to the ISA do not include any changes relating to proposals in the Government's White Paper regarding auditor reporting on a statement by directors on the steps they have taken to prevent and detect material fraud.

We summarise on the next few slides how this will impact our audit.

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| Area of change | Impact on our audit | Impact on the entity |
|-----------------------------|--|---|
| Fraud inquiries | <p>In addition to the pre-existing required enquiries, we are now explicitly required to make inquiries of management or others at the entity who handle whistleblowing.</p> <p>We also required to discuss the risks of fraud with those charged with the governance, including those risks specific to the entity's business sector.</p> | You should expect further challenge in relation to who we speak to in relation to fraud at the entity, including more focus on entity/sector specific risks. |
| Engagement team discussions | <p>The revised ISA (UK) emphasises that the pre-existing audit team fraud discussion should explicitly include an exchange of ideas about fraud, incentives to commit fraud, and how management could perpetrate and conceal fraud.</p> <p>There is also an explicit requirement for the engagement partner to consider whether further fraud discussions should be held at later stages of the audit.</p> | You should expect increased challenge of the controls and processes in relation to the entity's own fraud risk assessment and the documentation of that assessment. |

Agenda Item 7

Revisions to auditing standards coming into effect

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

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| Area of change | Impact on our audit | Impact on the entity |
|---|---|---|
| Identified or suspected fraud by a key member of management | The revised ISA (UK) clarifies that if we identify or suspect fraud by a key member of management this may be qualitatively material. | Further challenge in relation to identified or suspected fraud by a key member of management. |
| Involvement of specialists | <p>We are explicitly required to determine whether the engagement team needs specialised skills and knowledge:</p> <ul style="list-style-type: none"> To perform the fraud risk assessment procedures, to identify and assess the risk of material misstatement due to fraud, to design and perform audit procedures to respond to those risks or to evaluate the audit evidence obtained; or Where a misstatement due to fraud or suspected fraud is identified. | There is likely to be more interaction with fraud specialists as part of our planning procedures. |
| Journal entry testing | <p>We were already required to test the appropriateness of journal entries and other adjustments made in the preparation of the financial statements and make inquiries of personnel.</p> <p>The revised ISA (UK) clarifies that our selection process should consider specifically both automated and manual journals, consolidation adjustments (in the preparation of group financial statements), and post-closing entries.</p> <p>The standard also emphasises that when making inquiries about inappropriate or unusual activity relating to the processing of journal entries and other adjustments, we should make inquiries of individuals with different levels of responsibility in the financial reporting process.</p> | <p>You should expect more challenge on GITCs over the identification and classification of automated and manual controls, especially where there are IT deficiencies.</p> <p>There will also be more inquiries with people at different levels of responsibility at the entity.</p> |

Revisions to auditing standards coming into effect

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

| Area of change | Impact on our audit | Impact on the entity |
|--|--|---|
| Representations from those charged with governance | We will request an additional representations from those charged with governance regarding their responsibilities for the prevention and detection of fraud. | You should expect representations from those charged with governance that they believe they have appropriately fulfilled their responsibilities to design, implement and maintain internal control to prevent and detect fraud. |

Our approach to quality

FRC Audit Quality Inspection and Supervision report

We are proud of our people's commitment to delivering high quality audits and we continue to have an uncompromising focus on audit quality. Audit quality is and will remain our number one priority and is the foundation of our recruitment, learning and development, promotion and reward structures.

In July 2022 the Financial Reporting Council ("FRC") issued individual reports on each of the seven largest firms, including Deloitte, on Audit Quality Inspections providing a summary of the findings of its Audit Quality Review ("AQR") team for the 2021/22 cycle of reviews.

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We greatly value the FRC reviews of our audit engagements and firm wide quality control systems, a key aspect of evaluating our audit quality.

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In that context, we are pleased that both the overall and FTSE 350 inspection results for our audits selected by the FRC as part of the 2021/22 inspection cycle show an improvement. 82% of all inspections in the current cycle were assessed as good or needing limited improvement, compared to 79% last year. Of the FTSE 350 audits reviewed, 91% achieved this standard (2020/21: 73%). This reflects our ongoing focus on audit quality, and we will maintain our emphasis on continuous improvement as we seek to further enhance quality.

We welcome the breadth and depth of good practice points identified by the FRC particularly those in respect of the effective challenge of management and group audit oversight, where the FRC also reports findings.

We are also pleased that previous recurring findings relating to goodwill impairment and revenue were not identified as key finding in the current FRC inspection cycle, reflecting the positive impact of actions taken in previous years. We nevertheless remain committed to sustained focus and investment in these areas and more broadly to achieve consistently high quality audits.

All the AQR public reports are available on its website: <https://www.frc.org.uk/auditors/audit-quality-review/audit-firm-specific-reports>

The AQR's 2021/22 Audit Quality Inspection and Supervision Report on Deloitte LLP

"In the 2021/22 public report, we concluded that the firm had made progress on actions to address our previous findings and made improvements in relation to its audit execution and firm-wide procedures. The firm has continued to show improvement, with an increase in the number of audits we assessed as requiring no more than limited improvements to 82% compared with 79% in the previous year and 80% on average over the past five years. It is also encouraging that none of the audits we inspected were found to require significant improvements.

The area which contributed most to the audits requiring improvement was the audit of estimates of certain provisions. There were also key findings in relation to group audits, the review and challenge by the Engagement Quality Control Review (EQCR) partner and the application of the FRC Ethical Standard."

Our approach to quality

FRC Audit Quality Inspection and Supervision report

Improve the audit of estimates in relation to certain provisions

How we have addressed this area as a firm

To address this finding, we have done, or plan to do, the following:

- Our main annual technical training includes specific training in relation to the audit of complex estimates and provisions and includes scenario examples for auditing management estimates. Our Engagement Team Based Learning (“TechEx Teams”) will also include a follow-on session focusing on accounting estimates.
- We plan to develop a checklist, similar to that in place for our banking audits, for auditing Expected Credit Loss (‘ECL’) models for corporate audit teams to use where there are complex models being deployed by the companies we audit.
- Additional coaching will be provided to improve experience and skills when performing corporate audits which have ECL provisions.
- We continue to hold monthly workshops with our partners and directors to brief them on areas of regulatory focus, including the root cause of issues identified, and raise awareness of the importance of the review process.

Our approach to quality

FRC Audit Quality Inspection and Supervision report

Further enhance the consistency of the evaluation by the group audit team of the component auditors' work

How we have addressed this area as a firm

To address this finding, we have done, or plan to do, the following:

- We established a Group Audit coaching programme to support engagement teams in key areas relating to group audits, primarily through sharing of good practice and highlighting common pitfalls. This programme will be expanded for FY22/23 to increase the number of coaches and engagements to be coached ahead of December 2022 year-ends.
- We included a mandatory training module within our main annual training ("TechEx") on Group Audits which focused on effective direction, supervision and review of component auditors. Our Engagement Team Based Learning ("TechEx Teams") will also include a follow-on session focusing on Group Audits.
- We are performing a refresh of our Group Audit practice aid in light of inspection findings to develop a reference point for good practice examples. We also intend to share templates that audit teams can use to evidence the communications held throughout the audit process with component audit teams.
- Monthly workshops are held with partners and directors to brief them on the areas of regulatory focus. We also regularly communicate the FRC findings, including those on group audits to the wider audit practice during the inspection cycle through our Weekly technical email update to ensure that audit teams who might be affected by the findings are fully briefed.

Our approach to quality

FRC Audit Quality Inspection and Supervision report

Strengthen the evidence of review and challenge by the Engagement Quality Control Review partner

How we have addressed this area as a firm

To address this finding, we have done, or plan to do, the following:

- We commenced an EQCR transformation programme in the second half of 2021 designed to build on our existing EQCR practices to further enhance the effectiveness of our EQCR process and improve the evidence retained to demonstrate the EQCR challenge.
- We have made enhancements to our EQCR allocation process and refreshed the onboarding of new EQCR partners, with a new onboarding pack that emphasises the expectations and accountability of the EQCR role.
- Our evidence of EQCR review and challenge template has been refreshed and updated.
- We have delivered additional guidance on expectations for the EQCR reviewers and also shared good practice examples across the audit practice.
- We have included reminders of the EQCR requirements with respect to the need to hold discussions with Key Audit Partners of material subsidiaries in our EQCR briefings which are delivered to all EQCR reviewers.
- We included reminders within our 'Group Audit' and 'Direction, Supervision & Review' training modules in our main annual training ("TechEx") on EQCR which focused on EQCR review requirements and policies.

Our approach to quality

FRC Audit Quality Inspection and Supervision report

Appropriately apply the FRC Ethical Standard, particularly in relation to the approval of non-audit services

How we have addressed this area as a firm

To address this finding, we have done, or plan to do, the following:

- We have updated our templates and guidance in respect of the Objective, Reasonable and Informed Third Party ('ORITP') test for non-audit services.
- We have updated our breach management policies, as well as introduced additional training and guidance on the revised FRC Ethical Standard.
- We continue to develop further guidance and to monitor all areas of the application of the FRC Ethical Standard to manage the risk of recurrence.
- We plan to run further workshops and training for all Partners and Directors in Autumn 2022 to communicate FRC findings, re-iterate latest guidance, share examples and common pitfalls with a specific focus on the ORITP test.

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STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

26 SEPTEMBER 2023

| | | | | |
|--|--|-------|----------|---------------|
| Report Title | 1st Quarter Treasury Management Activity Report 2023/24 | | | |
| Purpose of Report | To provide an update on treasury management activity as at 30/06/2023. | | | |
| Decision(s) | The Committee RESOLVES to accept the treasury management activity first quarter report for 2023/2024. | | | |
| Consultation and Feedback | Link Asset Services (LAS). | | | |
| Report Author | Maxine Bell, Senior Accounting Officer Tel: 01453 754134 E-mail: maxine.bell@stroud.gov.uk | | | |
| Options | None | | | |
| Background Papers | None | | | |
| Appendices | A – Prudential Indicators as of 30 June 2023 B – Explanation of prudential indicators | | | |
| Implications (Further details at the end of the report) | Financial | Legal | Equality | Environmental |
| | No | No | No | No |

Background

- Treasury management is defined as: ‘The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.’
- This report is presented to the Audit and Standards Committee to provide an overview of the investment activity and performance for the first quarter of the financial year, and to report on prudential indicators and compliance with treasury limits.

Discussion

- The Chartered Institute of Public Finance and Accountancy (CIPFA) issued the latest Code in December 2021, originally adopted by this Council on 21 January 2010. This first quarter report has been prepared in compliance with CIPFA’s Code of Practice, and covers the following:
 - A review of the Treasury Management Strategy Statement (TMSS) and Investment Strategy
 - A review of the Council’s investment portfolio for 2023/24
 - A review of the Council’s borrowing strategy for 2023/24
 - A review of compliance with Treasury and Prudential Limits for 2023/24.
 - Other Treasury Issues

Treasury Management Strategy Statement and Investment Strategy update

4. The TMSS for 2023/24 was approved by Council on 16th February 2023. The Council’s Investment Strategy, which is incorporated in the TMSS, outlines the Council’s investment priorities as follows:
 1. Security of Capital
 2. Liquidity
 3. Yield
 4. Environmental, Social and Governance (ESG)
5. In 2023-24 the Council will continue to invest for the longest permitted duration with quality counterparties to maximise return without compromising security, or liquidity. In cases where two investments of similar credit rating would generate the same return the Council selected the investment with the best ESG rating. Otherwise, the length of investments were in line with LAS advice subject to the Council’s 3-year upper limit. Whilst interest rates are rising it is good housekeeping to have regular maturities to reinvest at higher rates.
6. A breakdown of the Council’s investment portfolio as of 30 June 2023 is shown in Table 3 of this report.
7. Current advice from Link is to invest for no more than a year with UK banks, or up to a maximum of five years with government or local government provided they are sufficiently highly-rated on Link’s weekly list.

Investment Portfolio 2023/24

8. In accordance with the Code, it is the Council’s priority to ensure security and liquidity of investments, and once satisfied with security and liquidity, to obtain a good level of return. The investment portfolio yield for the first quarter is shown in Table 1 below.
9. As set out in the Council’s 2023-24 Strategy specified investments are to be benchmarked against the SONIA (Sterling Overnight Index Average) compounded 7-day and 3-month rates, see Table 4. The Council’s multi-assets will be benchmarked against the 0 – 35% shares index see Table 5, and the UK other balance open-ended property fund index for the property funds see Table 6.

TABLE 1: Average Interest Rate

| | Period | Investment Interest Earned £ | Average Investment £m | Rate of Return |
|--|-----------------|---------------------------------|--------------------------|----------------|
| Internally Managed Specified Property Fund / Multi-Asset Fund | 01/04/2023 | 504,477 | 45.151 | 4.482% |
| | - 30/06/2023 | 83,404 | 10.000 | 3.345% |
| Total Quarter 1 | | 587,881 | 55.151 | 4.276% |

TABLE 2: Funds Performance – Quarter 1 2023-24

| Fund | Initial Investment £m | Value as at 30/06/23 £m | Return Apr - Jun 2023 |
|--------------------------------|----------------------------------|--|--------------------------------------|
| Lothbury | 4.000 | 3.343 | 3.03% |
| Hermes | 2.000 | 1.920 | 3.45% |
| TOTAL PROPERTY FUNDS | 6.000 | 5.263 | 3.17% |
| Royal London | 3.000 | 2.625 | 3.41% |
| CCLA | 1.000 | 0.958 | 4.22% |
| TOTAL MULTI-ASSET FUNDS | 4.000 | 3.583 | 3.61% |
| TOTAL FUND INVESTMENTS | 10.000 | 8.845 | 3.345% |

10. The approved limits as set out in the Treasury Management Strategy report to Council 16th February 2023 within the Annual Investment Strategy were not breached during the first 3 months of 2023/24, except for Barclays which breached the limit through the re-investment of interest. Funds have now been withdrawn in full from that Barclays account as a result of its lower ESG rating. The money has been redistributed across the rest of the investment portfolio.
11. Funds were available for investment on a temporary basis. The level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme. The authority holds £15m core cash balances for investment purposes (i.e., funds that potentially could be invested for more than one year). The Council has invested £10m into Property and Multi-Asset Funds with the objective of longer-term investments improving the overall rate of return in future years.
12. Table 3 below shows the investments and borrowing position at the end of June 2023.

TABLE 3: Investments & Borrowing

| | Jun 2023 £'000 | ESG June 23 |
|-----------------------------------|-------------------|----------------|
| Aberdeen | 3,941 | A- |
| Goldman Sachs | 1,000 | A- |
| Deutsche | 5 | A |
| Money Market Funds Total | 4,946 | |
| Lloyds | 7,927 | A- |
| Lloyds Banking Group Total | 7,927 | |
| NatWest | 189 | A- |
| RBS Banking Group Total | 189 | |
| Standard Chartered | 2,000 | BBB+ |
| Santander | 7,999 | A- |
| Barclays Bank Plc | 8,032 | BBB- |
| Svenska Handelsbanken | 2,014 | A+ |
| Toronto Dominion | 4,000 | BBB |
| Landesbank Hessen Thuringen | 6,000 | BBB+ |
| Bank of Montreal | 3,000 | A+ |
| Other Banks Total | 33,045 | |
| TOTAL INVESTMENTS | £46,107 | A- |
| Lothbury | 4,000 | |
| Hermes | 2,000 | |
| TOTAL PROPERTY FUNDS | £6,000 | |
| RLAM | 3,000 | |
| CCLA | 1,000 | |
| TOTAL MULTI ASSET FUNDS | £4,000 | |
| PWLB | 100,717 | |
| TOTAL BORROWING | £100,717 | |

ESG Grading Scale

| | | | | | | | | | | | | | | | |
|------------|----|-----|----|---|----|--------|-----|------|------|----|-----|--------|---|----|------|
| AA+ | AA | AA- | A+ | A | A- | BBB+ | BBB | BBB- | BB+ | BB | BB- | B+ | B | B- | CCC+ |
| Negligible | | Low | | | | Medium | | | High | | | Severe | | | |

13. Tables 4, 5 and 6 below show the benchmarked Quarter by Quarter Returns on Specified Investments and Funds at the end of June 2023.

Table 4: Quarterly Benchmark - Specified Investments

| Quarter | Specified Investments % return | Benchmark 7 day SONIA Compounded | Benchmark 90 day SONIA Compounded |
|----------|--------------------------------|----------------------------------|-----------------------------------|
| Q1 21/22 | 0.18% | | |
| Q2 21/22 | 0.18% | | |
| Q3 21/22 | 0.19% | | |
| Q4 21/22 | 0.22% | | |
| Q1 22/23 | 0.79% | 0.87% | 0.64% |
| Q2 22/23 | 1.55% | 1.51% | 1.19% |
| Q3 22/23 | 2.66% | 2.70% | 2.12% |
| Q4 22/23 | 3.80% | 3.97% | 3.66% |
| Q1 23/24 | 4.48% | 4.53% | 4.29% |

Table 5: Quarterly Benchmark - Multi-Asset Funds

| Quarter | Fund Investments % return | Capital deficit / surplus % | Return including capital % | Benchmark 0-35% Shares |
|----------|---------------------------|-----------------------------|----------------------------|------------------------|
| Q1 21/22 | 2.72% | | 2.72% | |
| Q2 21/22 | 2.60% | | 2.60% | |
| Q3 21/22 | 2.51% | 2.27% | 4.78% | 1.00% |
| Q4 21/22 | 1.89% | -6.69% | -4.80% | -3.74% |
| Q1 22/23 | 2.78% | -9.37% | -6.59% | -6.06% |
| Q2 22/23 | 2.74% | -6.15% | -3.41% | -3.69% |
| Q3 22/23 | 2.74% | 3.05% | 5.79% | 2.27% |
| Q4 22/23 | 2.77% | 1.79% | 4.56% | 1.62% |
| Q1 23/24 | 3.61% | -1.46% | 2.15% | -0.99% |

Table 6: Quarterly Benchmark - Property Funds

| Quarter | Fund Investments % return | Capital deficit / surplus % | Return including capital % | Benchmark 3 mth Property Fund Index (Other) |
|----------|---------------------------|-----------------------------|----------------------------|---|
| Q1 21/22 | 3.00% | | | |
| Q2 21/22 | 3.06% | | | |
| Q3 21/22 | 3.85% | 4.62% | 8.47% | 4.30% |
| Q4 21/22 | 2.71% | 5.11% | 7.82% | 6.70% |
| Q1 22/23 | 3.15% | 4.07% | 7.22% | 6.10% |
| Q2 22/23 | 3.01% | -5.87% | -2.86% | 4.00% |
| Q3 22/23 | 3.04% | -20.02% | -16.98% | -3.70% |
| Q4 22/23 | 3.07% | -0.95% | 2.12% | -14.00% |
| Q1 23/24 | 3.17% | -0.95% | 2.22% | -0.20% |

External Borrowing

14. The Council’s Capital Financing Requirements (CFR) for 2023/24 is £134,902m. The CFR denotes the Council’s underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (External Borrowing) or from internal balances on a temporary basis (Internal Borrowing). The Council has borrowing of £100.717m as of 30 June 2023.

Compliance with Treasury and Prudential Limits

15. It is a statutory duty for the Council to determine and keep under review the “Affordable Borrowing Limits.” Council’s approved Treasury and Prudential Indicators are outlined in the approved TMSS.

16. During the period to 30 June 2023 the Council has operated within treasury limits (subject to the technical breach noted in paragraph 10) and Prudential Indicators set out in the Council’s TMSS and with the Council’s Treasury Management Practices. The Prudential and Treasury Indicators are shown in Appendix A.

17. Implications

17.1 Financial Implications

There are no financial implications arising from the decision. The whole report is of a financial nature.

The position on the capital value of pooled funds, and the existence of the investment risk reserve, has previously been reported to both this Committee and Council. The ongoing position of the funds will continue to be reported in each subsequent Treasury Management update.

Andrew Cummings, Strategic Director of Resources

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17.2 Legal Implications

There are no significant legal implications in respect of the recommendations in this report. Compliance with the CIPFA Code of Practice for Treasury Management in the Public Services, the ODPM Local Government Investment Guidance provides assurance that investments are, and will continue to be, within its legal powers.

One Legal,

Tel: 01684 272012 Email: legalservices@onelegal.org.uk

17.3 Equality Implications

There are no equality implications arising from the recommendations made in this report.

17.4 Environmental Implications

There are no environmental implications arising from the recommendations made in this report.

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Prudential Indicators as of 30 June 2023

| Prudential Indicator | 2023/24 Indicator £'000 | Actual as at 30 June 2023 £'000 |
|---|--|--|
| Capital Financing Requirement (CFR) | 134,902 | 134,902 |
| Gross Borrowing | 100,717 | 100,717 |
| Authorised Limit for external debt | 149,000 | 149,000 |
| Operational Boundary for external debt | 144,000 | 144,000 |
| Principal sums invested > 365 days | 15,000 | 10,000 |
| Maturity structure of borrowing limits | | |
| Under 12 months | 25% | 0% |
| 12 months to 2 years | 50% | 0% |
| 2 years to 5 years | 75% | 0% |
| 5 years to 10 years | 100% | 6% |
| 10 years and above | 100% | 94% |

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Explanation of prudential indicators

Central Government control of borrowing was ended and replaced with Prudential borrowing by the Local Government Act 2003. Prudential borrowing permitted local government organisations to borrow to fund capital spending plans provided they could demonstrate their affordability. Prudential indicators are the means to demonstrate affordability.

Gross borrowing – compares estimated gross borrowing in February 2023 strategy with actual gross borrowing as at 30 June 2023.

Capital financing requirement (CFR) – the capital financing requirement shows the underlying need of the Council to borrow for capital purposes as determined from the balance sheet. The overall positive CFR of £134,902m provides the Council with the opportunity to borrow if appropriate. £16.395m of borrowing is planned for 2023/24 arising from the approved capital programme, together with £1.187m minimum and voluntary revenue provisions for the repayment of debt.

Authorised limit for external debt - this is the maximum limit for gross external indebtedness. This is the statutory limit determined under section 3(1) of the Local Government Act 2003. This limit is set to allow sufficient headroom for day to day operational management of cashflows. This limit has not been breached in the period 1 April 2023 to 30 June 2023.

Operational boundary for external debt – this is set as the more likely amount that may be required for day to day cashflow. This limit has not been breached in the period 1 April 2023 to 30 June 2023.

Upper limit for fixed and variable interest rate exposure – these limits allow the Council flexibility in its investment and borrowing options. Current investments are either fixed rate term investments or on call. Borrowing is at a fixed rate.

Upper limit for total principal sums invested for over 365 days – the amount it is considered can prudently be invested for a period in excess of a year. Current policy only permits lending beyond 1 year with other Local Authorities up to a maximum of 3 years. Property fund investments are subject to a 25 year maximum, and other investment funds up to 10 years as set out in Table 13 of the latest Treasury Management Strategy.

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STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

26 SEPTEMBER 2023

| | | | | |
|--|---|-------|----------|---------------|
| Report Title | Annual Governance Statement 2022/23 | | | |
| Purpose of Report | This report brings forward the Annual Governance Statement for the financial year 2022/23, setting out the governance arrangements which have been in place and identifying areas of focus for 2023/24. | | | |
| Decision(s) | The Committee RESOLVES to: a) approve the Annual Governance Statement 2022/23; and b) note that regular reports on progress against the 2023/24 action plan will be presented to the Audit and Standards Committee | | | |
| Consultation and Feedback | Consultation with Strategic Leadership Team, the Corporate Governance Group and Internal Audit has taken place in preparing this statement | | | |
| Report Author | Claire Hughes, Corporate Director (Monitoring Officer) Email: claire.hughes@stroud.gov.uk | | | |
| Options | There are no alternative options that are relevant to this matter | | | |
| Background Papers | Annual Governance Statement 2021/22 | | | |
| Appendices | Appendix A – Annual Governance Statement 2022/23 Appendix B – Action Plan | | | |
| Implications (further details at the end of the report) | Financial | Legal | Equality | Environmental |
| | No | Yes | No | No |

1. INTRODUCTION AND BACKGROUND

- 1.1 The Council has a statutory duty to prepare an Annual Governance Statement (AGS) to be approved as part of the Annual Statement of Accounts.
- 1.2 This is the first draft of the AGS is for the period 1st April 2022 to 31st March 2023 and indicates how the Council is meeting the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of a Statement on Annual Governance.
- 1.3 In discharging these responsibilities, the authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and including arrangements for the management of risk.
- 1.4 The authority has developed and approved a code of corporate governance, which is consistent with the core principles and sub-principles as set out in the CIPFA/SOLACE “Delivering Good Governance in Local Government: Framework (2016)” (‘the Framework’). This statement explains how the authority has complied with the code and also meets the requirements of Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 (England) which requires the authority to conduct a review at least once a year on the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts.

- 1.5 The Audit and Standards Committee needs to satisfy itself that the AGS fairly reflects the arrangements within the Council.

2. CONCLUSION

- 2.1 The Audit and Standards Committee are to consider and approve the Annual Governance Statement, to gain reasonable assurance that the governance arrangements are operating effectively within the Council and that the improvement actions identified will be implemented and monitored accordingly.
- 2.2 Once finalised this AGS will form part of the Annual Statement of Accounts.

3. IMPLICATIONS

3.1 Financial Implications

There are no financial implications arising directly from this from this report.

Andrew Cummings, Strategic Director of Resources
Tel: 01453 754115 Email: andrew.cummings@stroud.gov.uk

3.2 Legal Implications

As detailed in the report, to evaluate good governance in practice, there is a statutory requirement under Regulation 6(1) of the Accounts and Audit England Regulations 2015 for the Council to conduct a review of the effectiveness of the system of internal control and prepare and publish an annual governance statement.

The CIPFA/ Solace Delivering Good Governance in Local Government Framework defines the principles that should underpin the governance of a local authority and provides a structure to help local authorities with their approach to governance.

Hayley Sims, One Legal
Tel: 01684 272260 Email: legalservices@onelegal.org.uk

3.3 Equality Implications

There are not any specific changes to service delivery proposed within this decision.

3.4 Environmental Implications

There are no significant implications within this category.



ANNUAL GOVERNANCE STATEMENT 2022-23

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Stroud District Council – Annual Governance Statement 2022-23

1. Scope of Responsibility

- 1.1 Stroud District Council (the Council) is responsible for ensuring that its business is conducted lawfully, that public money is safeguarded and properly accounted for. The Council has a duty under the Local Government Act 1999 to continuously improve its functions, having regard to best practice, economy, efficiency, and effectiveness.
- 1.2 In discharging this duty, the Council acknowledges its responsibility for appropriately governing its affairs, the effective exercise of its functions and the management of its risks. The Council has developed a Code of Corporate Governance (the Code) which defines the principles and practices that underpin our governance arrangements.
- 1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) produced the “Delivering Good Governance in Local Government framework (2016)”. This emphasises sustainability and the need to focus on the economic, social and environmental impacts that actions may have on future generations.
- 1.4 The Code is reviewed annually and is consistent with the seven core principles of the CIPFA-SOLACE framework.
- 1.5 The Annual Governance Statement (AGS) has been prepared in accordance with the CIPFA-SOLACE framework. For the year ended 31 March 2023, the AGS shows our compliance to the Code and the Accounts and Audit Regulations 2015, regulation 6(1).
- 1.6 The AGS describes how the effectiveness of the governance arrangements has been monitored and evaluated during 2022-23 and any changes planned for 2023-24.
- 1.7 The Council’s Statutory Officers are the Chief Executive (Head of Paid Service), the Strategic Director of Resources (Section 151 or S151 Officer) and the Monitoring Officer (the MO). They direct the annual reviews of the effectiveness of the Council’s governance arrangements against the Code, providing oversight and robust challenge. When completed, the findings are reported to the Audit and Standards Committee (ASC), which identifies and monitors any improvement actions.

2. The Corporate Governance Framework

- 2.1 Corporate governance refers to how the Council is led, controlled and held to account.
- 2.2 Appendix A below shows the Council’s Governance, Risk and Control Framework pictorially.
- 2.3 The Council’s governance framework aims to ensure that in conducting its business it:
 - i. Operates in a lawful, open, inclusive and honest manner;
 - ii. Ensures that public money is safeguarded, properly accounted for and used economically, efficiently and effectively;
 - iii. Has effective arrangements for the management of risk; and

Appendix A

- iv. Secures continuous improvement in the way that it operates.
- 2.4 The governance framework comprises the culture, values, systems and processes by which the Council is managed. It enables the Council to monitor its objectives and consider whether these have led to the delivery of effective services and value for money. It enables the Council to monitor the achievement of its objectives.
- 2.5 The framework brings together legislative requirements, best practice principles and management processes.
- 2.6 The system of internal control is a significant part of the framework and is designed to manage the Council's risks to a reasonable level. It cannot eliminate all risk of failure to achieve corporate objectives and can, therefore, only provide reasonable and not absolute assurance. The system of internal control helps the Council to:
- i. Operate in a lawful, transparent, inclusive and honest manner;
 - ii. Ensure that public money and assets are safeguarded from misuse, loss or fraud, are accounted for and used economically, efficiently and effectively;
 - iii. Have effective arrangements for the management of risk;
 - iv. Secure continuous improvement in the way that it operates;
 - v. Enable human, financial, environmental and other resources to be managed efficiently and effectively;
 - vi. Properly maintain records and information; and
 - vii. Ensure its values and ethical standards are met.
- 2.7 The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).
- 2.8 The Code recognises that effective governance is achieved through the following seven CIPFA-SOLACE principles:
- i. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
 - ii. Ensuring openness and comprehensive stakeholder engagement;
 - iii. Defining outcomes in terms of sustainable economic, social and environmental benefits;
 - iv. Determining the interventions necessary to optimise the achievement of intended outcomes;
 - v. Developing the Council's capacity, including the capability of its leadership and the individuals within it;
 - vi. Managing risks and performance through robust internal control and strong public financial management; and
 - vii. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

3. Governance Environment

- 3.1 The governance framework includes arrangements for:
- i. Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users;

- ii. Reviewing the authority's vision and its implications for the authority's governance arrangements;
 - iii. Measuring the quality of services for users, ensuring that they are delivered in accordance with the authority's objectives and ensuring that they represent the best use of resources;
 - iv. Defining and documenting the roles and responsibilities of Committees, with clear delegation arrangements and protocols for effective communication and performance management;
 - v. Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff;
 - vi. Reviewing and updating Financial Rules, Contract Rules, Constitution, Scheme of Delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls required to manage risks;
 - vii. Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained;
 - viii. Ensuring the authority's financial management arrangements meet the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015);
 - ix. Undertaking the core functions of an Audit Committee, as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities;
 - x. Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;
 - xi. Whistleblowing referrals and for receiving and investigating complaints from the public;
 - xii. Identifying the development needs of members and senior officers in relation to their strategic roles, supported by the appropriate training;
 - xiii. Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation; and
 - xiv. Incorporating good governance arrangements in respect of partnerships, including shared services and other joint working and reflecting these in the authority's overall governance arrangements.
- 3.2 The Council's governance framework has operated effectively throughout 2022-23 and up to the date of approval of the annual statement of accounts and the AGS.
- 3.3 The Code is consistent with the principles set out in the CIPFA-SOLACE Framework, and is reviewed on an annual basis. The table below is a summary of the Council's compliance to the CIPFA-SOLACE Framework:

Principal A

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

Behaving with integrity

- i. The political leadership sets the tone for the Council and ensures that the required policies are put into place and monitored.
- ii. The Council's Constitution sets out how decisions are made and the procedures that are followed to ensure these are efficient, transparent and accountable to local people.
- iii. Statutory Officers' responsibilities are defined in the Constitution and are employed in accordance with statutory guidance.
- iv. The Employee Code of Conduct forms part of the Constitution and sets out the behaviours expected of employees.
- v. The Members' Code of Conduct, which was updated in February 2023, forms part of the Constitution and sets out the standards of conduct expected by Members of the Council.
- vi. The Planning Code of Conduct and Probity in Licensing, both of which are currently being updated, supplement the Members Code of Conduct and set out the standards of conduct expected from members dealing with planning and licensing matters.
- vii. The Protocol for Member/Officer Relations is designed to guide Members and Officers of the Council in their relations with one another to maintain the integrity of local government.
- viii. The Audit and Standards Committee and the Monitoring Officer promote high standards of Member conduct. The Member Code of Conduct and guidance strengthen the Council's ethical framework.

Demonstrating strong commitment to ethical values

In accordance with the Localism Act 2011 we have adopted a Code of Conduct for our Councillors that is in keeping with the general principles of public life and based upon the Local Government Association Model. All Councillors and co-opted Members undertake that they will observe the Code of Conduct.

The Employee Code of Conduct provides guidance to our employees on the ethical framework within which we seek to conduct its activities; and on the processes that the Council uses to ensure compliance with the highest ethical standards. These standards reflect the Nolan Principles which form the basis of the Members' Code of Conduct.

Arrangements to minimise the risk of Members and officers being influenced by prejudice, bias, or conflicts of interest in dealing with different stakeholders include:

- i. A statutory register of interests;
- ii. Requirements to declare conflict of interests; and
- iii. Employee and Councillor Register of gifts and hospitality.

The Complaints and Feedback Policy specifies how any complaints will be addressed.

Respecting the Rule of Law

The Constitution sets out the decision making powers of Members, Committees and officers.

One Legal advise the Council on the application of the law and provides training and guidance notes. All committee reports include legal implications.

Codes of Conduct set out the standards of behaviour that are expected of our Councillors and Officers. Should these standards be breached, they will be dealt with, either through the standards Committee or, in relation to Officers, action taken under our capability and/or disciplinary procedures.

The Whistleblowing Policy adopted by the Council ensures its effectiveness from a safeguarding perspective and to make it easier for staff to raise concerns about malpractice or illegal activity. The Policy contains clear guidance about how to report a concern, who to contact and sources of internal and external support.

Internal audit reviews are designed to ensure services are complying with internal and external policies and procedures and statutory legislation. Where non-compliance is identified, this is reported to management and to Members via the Audit and Standards Committee.

The Council works with ARA and a Gloucestershire wide Counter Fraud and Enforcement Unit to help prevent and detect fraud and corrupt practices, including abuse of position. These services report to the Audit and Standards Committee twice a year.

Throughout 2022/23 the Counter Fraud and Enforcement Unit has worked closely with our Revenues and Benefits team to ensure that all energy support grants put in place have sufficient pre and post payment checks and controls in place to give assurance that the COVID19 grants were paid in accordance with the eligibility criteria.

Principal B

Ensuring openness and comprehensive stakeholder engagement

Openness

The Council Plan 2021-26 sets out key objectives, actions, projects, measures and targets.

The annual accounts are published in a timely manner and in accordance with specified timescales so that the financial position and performance of the authority is open to public scrutiny.

Committee meetings, agendas and minutes are published in accordance with the Local Government Act 1972.

Council and Committee reports clearly outline their purpose, so the public can understand what the decision is aiming to achieve.

Appendix A

Council and Committee reports address financial, legal, equalities, risk and environmental implications to allow public scrutiny and aid Members in their decisions making.

All public meetings that take place in the council chamber are webcast live.

Members and the public are able to ask questions at Council and committees. Processes are in place which facilitate public participation at Audit, Licensing and Development Control Committee meetings. All meetings are held in public unless exempt business is under discussion.

The Council's petition scheme makes provision for the submission of petitions.

Member and significant officer decisions are reported on the Council's website.

The Council publishes data in accordance with the Local Government Transparency Code including supplier payments, senior management structure charts, annual pay policy statement, and our gender pay gap report for the previous financial year. Where data is not available in the published data sets, instructions are available on how to make a Freedom of Information Request and the procedure that will be followed to answer the request.

Engaging comprehensively with institutional stakeholders

We engage with large numbers of stakeholders through forums such as Leadership Gloucestershire, Southwest Councils and the Local Government Association.

We have a comprehensive engagement system with statutory stakeholders such as the NHS, Gloucestershire County Council and the Gloucestershire Police.

We are members of the District Councils' Network (DCN) a cross-party member led network of 183 councils.

We engage with further subject-based stakeholders particularly around economic development.

We hold a statutory responsibility around the duties of the Community Safety Partnership, made up of both statutory agencies and co-operating bodies within the district and the county (known as the 'responsible authorities').

An annual consultation with residents and businesses is carried out on matters relating to Council priorities and budgets.

Engagement with staff happens in a number of ways, whole authority staff sessions, directorate team meetings, monthly Leadership and Management Team meetings and one-to-one meetings.

We have a Town and Parish Council Charter and a town and parish council hub where town and parishes can access and share information, along with a schedule of information sharing events.

Engaging with individual citizens and service users effectively

Local focus and community group engagement are undertaken by neighbourhood wardens with wider engagement taking place across our service areas.

Our community services team work to prevent, investigate and tackle anti-social behaviour (ASB) in Stroud.

The Communications team ensure that specific matters are placed in the media and engage with the media over enquiries on specific matters.

Annual resident and business satisfaction surveys are received from the local community.

The Councillor Call for Action helps Members to make improvements for their local areas. Members can address issues affecting their communities by engaging with the Council or a relevant committee.

Planning has a particular focus on engagement with statutory consultation forming part of each planning proposal.

The Complaints and Feedback Policy enables residents to provide feedback, to raise complaints or provide us with a compliment.

A web-based consultation hub consultations are held with residents on policies, plans and proposals affecting our communities.

Principal C

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

Defining outcomes

The Council's vision and priorities are set out in the Council Plan 2021-26.

A Budget and Medium Term Financial Plan, Capital Programme and annual budget process ensure that financial resources are directed to the Council's priorities.

The Council collaborates with partners where there are shared objectives and clear economic benefits from joint working.

The Council has a co-ordinated and structured approach to developing services and defining outcomes.

Contract management and monitoring arrangements are in place to ensure that services are delivered to a high standard.

The Council's business planning, performance and risk management framework enables the monitoring of progress against objectives, key performance indicators and targets.

The Council's Local Development Plan (currently undergoing examination) makes provision for the long-term growth of the area.

Sustainable economic, social and environmental benefits

Appendix A

Our pathway to NetZero sets out our aims to achieving our target of Stroud becoming carbon neutral by 2030.

The Council ensures the purchase of goods, services or works required to deliver services is acquired under Best Value terms.

We are committed to social value and how we can drive this through our own procurement, decision-making and project delivery. We are signed up to the Social Value Portal which ensures we deliver social value from our procurement activities with a value of over £75,000.

The Council's considers political, environmental, societal, technological, legislative, economic and efficiency risks, opportunities and value for money when taking decisions about service provision.

Principal D

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

Determining interventions

Decision makers objectively and robustly analyse a variety of options. This includes information on the risks and opportunities of various options and help to inform decisions.

Consultation with residents ensures their views are fully considered when making decisions about service changes.

The Council Plan 2021-26 helps the district to grow - shaping it into a vibrant and welcoming place to live, work and study.

The Council has a performance management and monitoring process in place.

Performance reports analysing trends and latest budget position are monitored by management and the relevant Committees.

All services delivered via our partners have a client officer who undertakes frequent and direct liaison with the service provider and monitors the contract performance and delivery.

SLT keep members apprised of commissioned service performance as well as in some instances members being directly involved in performance meetings with commissioner services providers.

Regular Peer reviews are undertaken for quality assurance with the most recent review being concluded in January 2023.

Planning Interventions

Excelsis (system now de-commissioned as we move to Pentana) provided access to regular reporting on matters of risk and performance.

Strategic risks are regularly considered by SLT and now the Corporate Governance Group
Operational risks are monitored and managed at Manager level.

SLT has strategic oversight of major issues affecting the Council with a developing forward plan.

Budget monitoring is designed to capture and incorporate internal and external factors and to enable the authority to respond appropriately.

Optimising achievement of intended outcomes

The Council has implemented a Budget and Medium-Term Financial Plan (MTFP) which shows the level of Council resources and how these are allocated between services.

The financial plans demonstrate how the Council's resources will be deployed to deliver its aims and priorities.

The Council considers the achievement of 'social value' when planning and commissioning services. The Council has a Social Value Policy and in 2021-22 has signed up to the Social Value Portal.

The Council's Capital Strategy and Treasury Management Strategy were refreshed and approved by full council in February 2023.

The authority's budgets are prepared annually in accordance with objectives, strategies and the MTFP is finalised following consultation with Members, customers, stakeholders, and officers.

The MTFP is a live document and is updated as necessary, to respond to the changing environment and in such circumstances would be discussed by the Leadership Team to determine any necessary mitigating actions that would then be discussed with the Alliance Leadership Team.

Principal E

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

Developing the Council's capacity

The Chief Executive is responsible for the organisation of the staff.

Leadership and Management is delivered through SLT consisting of the Chief Executive, and Directors to ensure proper oversight of the whole business.

SLT meet fortnightly and have a leadership and management team meeting. Quarterly Proud of Stroud events for all staff provide opportunities to share knowledge and celebrate success.

SDC uses benchmarking exercises and the Local Government Association (LGA) Corporate Peer Challenge (CPC) to explore the effectiveness of service delivery and strengthen the Council's accountability. One such exercise was carried out in year.

Appendix A

Collaborative working and alternative service delivery models are considered to meet our priorities.

The Council's Constitution defines the statutory and distinctive role of the Chief Executive and sets out decision making powers.

Our member development group supports continued Member development.

Developing the capability of the Council's leadership and other individuals

Council "Values and Behaviours" develop the skills required to deliver our key priorities, savings targets, and form part of our commitment to personal and professional development.

We have a programme of training available for both Councillors and Officers at all levels.

All new employees take part in an induction programme and ongoing staff development needs are identified through our system of 1:1 meetings.

There is mandatory compliance training for all staff and members on key items and policies including training on Equality, Diversity, and Inclusion.

Professional members of staff are required to undertake additional training requirements (continuing professional development) as set by their professional bodies.

We continue to run a range of leadership programmes for our people designed to give them behaviours and skills for the future.

All new Members undertake a comprehensive Members induction programme that is delivered after each election.

Training is provided for Members on an ongoing basis as appropriate and necessary. Members on certain committees (e.g. Development Control) are required to undertake initial and ongoing "top up" training in order to take their place on the committee.

A Member Development Working Group has been established to lead on issues relating to Member Training and Development.

The authority is a member of the Local Government Association who provide individual mentoring and support to Members and officers as necessary or requested.

Principal F

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

Managing Risk

The Risk Management Policy and Strategy defines roles and responsibilities for managing risk. It confirms that risk management is an integral part of all our business planning, option appraisal and decision making activities.

The Council's business continuity arrangements, which are currently being updated ensure critical services can be maintained and recovered during an emergency.

The ASC monitor the adequacy of risk management and the effectiveness of the S151 Officer in ensuring an adequate internal and financial control environment within the Council.

A risk-based audit plan is drafted annually following consultation with Officers and Members. The Audit Plan is approved by the Audit and Standards Committee prior to the financial year.

Managing Performance

The Council Plan 2021-26 outlines our vision to lead a community that is making Stroud district a better place to live, work and visit. The plan outlines how this will be achieved around three key themes: "Environment and Climate Change", "Economy, Recovery and Regeneration" and "Community Resilience and Wellbeing". Performance against the plan is monitored by individual committees via performance monitors and associated performance reports.

Our business planning framework ensures that strategic and service plans align with the Council Plan, and set out our priorities and risks. Priorities are monitored through our performance, programme, and project management framework.

Robust Internal Control

The corporate governance group meets bi-monthly. Chaired by the Monitoring Officer, other attendees include the Section 151 officer and officers responsible for, performance, internal audit, counter fraud, risk management and Human Resources.

Assurance is gained through regular internal audits and reporting.

External Audit recommendations are reported to Audit and Standards Committee following the completion of their annual audit process with follow-ups of recommendations also reported. Any recommendations are incorporated into the planning for the next years Audit.

Internal Audit is delivered through ARA and processes ensure compliance with Public Sector Internal Auditing Standards.

Internal Audit agreed actions are followed up and reported to Audit and Standards Committee with further follow up being reported where agreed actions have not been implemented in full.

Copies of all Internal Audit reports are provided to the relevant Director who ensures that other Directors and Officers are made aware of any significant issues or recommendations.

Audit reports once completed are discussed with the service manager. Executive summaries, including findings, and progress on the Annual Plan are reported to Audit and Standards Committee, on a quarterly basis.

Agreed Actions made in audit reports are followed up one month after the agreed target implementation date. High priority agreed actions are reported to Audit, and Standards Committee with quarterly updates on progress.

Appendix A

Both ARA and the Counter Fraud and Enforcement Unit support the Council. Where investigations identify possible improvements to the internal control framework, they will liaise with the Internal Audit Team to ensure the improvements are followed up and implemented by Management.

The Council takes fraud, corruption and maladministration very seriously and the Counter Fraud and Corruption Policy Statement and Strategy and Whistleblowing Policy prevent or deal with such occurrences

Managing Data

Data is lawfully managed in accordance with the freedom of information and data protection Policies. The Council has an Information Governance Officer and information champions who help to promote effective management of information across the Council. These policies also provides the responsibilities and accountabilities for the roles of the Data Protection Officer, Senior Information Risk Officer (SIRO) and the Single Point of Contact (SPoC).

All officers and Councillors are required to undertake mandatory e-Learning training on information governance.

The importance of reporting breaches of Data Protection legislation is well publicised and individual officers are welcomed when they come forward to report incidents.

The authority is part of the Gloucestershire Information Sharing Partnership. This will enable data to be shared when necessary. Additional Information Sharing protocols are in place with third parties.

Audit reviews ensure data is held securely whether electronic or hard copy.

In 2022/23 we conducted a number of the Information Commissioners Self-Assessment and were able to identify areas of strength and area for development. An action plan has been developed and worked is underway to complete the actions contained therein.

Strong public financial management

The Medium-Term Financial Plan (MTFP) sets the overall direction for how we will fund our activities and invest in the future.

We have a budget setting process with the Budget and Medium-Term Financial Plan decided annually by Council.

We have in place a statutory Section 151 Officer with finance teams that support the budget holders.

The MTFP is reviewed and updated on a regular basis so that Members and SLT are aware of the financial standing of the authority in terms of delivering against cost reduction or revenue raising targets.

Performance against budget is reported to Committees and any significant variances explained.

Financial Procedure Rules and Contract Procedure Rules are in place.

The Statement of Accounts is produced and published annually in accordance with statutory legislation.

Aligned with the accounts the production of this Annual Governance Statement that identifies how the authority has met its governance reporting obligations.

External Audit report on the Council's accounts, the AGS and the Code. They provide an opinion on the accounts and arrangements for securing economy, efficiency, and effectiveness in the use of resources (value for money).

Principal G

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

Transparency

Agenda and minutes of Council and Committee meetings are publicly available on the Council's website and meetings are live streamed.

The Freedom of Information Act publication scheme ensures residents have access to information held by the Council.

The Local Government Data Transparency Code lists data that is published by the Council. This includes expenditure over £500, grants to community bodies and senior salaries. This enables residents to contribute to local decision making.

Reporting

We have in place comprehensive procedures for the making of decisions either by Full Council, Committees, or officers.

All reports are taken through democratic services and require clearance by Legal and Finance. Equality and Environmental impacts are also identified.

The Annual Statement of Accounts provide information on the Council's stewardship of public money for the year.

The AGS reports on the effectiveness of our governance arrangements against the key principles set out within the Code.

The ASC review and approve the Annual Statement of Accounts and AGS.

Assurance and effective accountability

Accountability and decision making arrangements are defined in the Council's Constitution, including arrangements for the delivery of services with our key partners.

The ASC provides independent assurance to the Council on the adequacy and effectiveness of the governance arrangements and internal control environment.

Appendix A

Peer reviews and benchmarking undertaken to ascertain good practice and implement improvements as identified.

4. Review of Effectiveness

- 4.1 The Council has a responsibility for annually conducting a review of the effectiveness of its governance framework including the system of internal audit. The review of effectiveness is informed by the various sources below who contribute to the development and maintenance of the governance environment:
- i. The Chair of the ASC formally reports on its work to Council;
 - ii. Assurance statements from senior management provide evidence that key elements of the system of internal control are operating effectively;
 - iii. The work of Internal Audit, including the Annual Report of the Head of Internal Audit is overseen by the ASC;
 - iv. The work of the External Auditor – including the annual Audit Results and other reports in relation to financial and other aspects of the Council's governance;
 - v. A comprehensive risk management process captures the Council's strategic and operational risks which are reported to senior managers and the ASC; and
 - vi. Consideration of this AGS by the Section 151 Officer and the CE with reference to the wider aspects of governance.
 - vii. Investigation of, and decisions on, allegations of failure to comply with Members Code of Conduct are considered and determined through processes involving the Monitoring Officer/Independent Person(s)/Audit and Standards Committee/Sub-Committee as set out in the Constitution.
 - viii. Periodic training and awareness sessions are carried out with the Audit and Standards Committee
 - ix. The External Auditors present progress reports to the Audit and Standards Committee.
 - x. The External Auditor's Annual Audit Letter and follow-up of management responses to issues raised in the Letter or other reports are overseen by the Audit and Standards Committee.
 - xi. Performance with regard to achievement of council priorities, budgets and risk are reported and monitored as outlined in this statement.
 - xii. The Audit and Standards Committee review the Annual Governance Statement.
 - xiii. The Audit and Standards Committee review the Annual Statement of Accounts and reports from both Internal Audit (ARA) and External Audit, including quarterly progress reports.
 - xiv. Council approves the annual budget, reviews, and approves the Treasury Management Strategy.
 - xv. Internal Audit monitors the quality and effectiveness of systems of internal control. Audit reports include an opinion that provides management with an independent judgement on the adequacy and effectiveness of internal controls. Reports including agreed actions for improvement are detailed in an action plan agreed with the relevant Director/Service Manager.

4. Update On Governance Issues From 2021-22.

- 4.1 The AGS for 2021-22 highlighted a number of governance issues. The table below sets out those issues and identifies the actions taken by the Council to strengthen its governance arrangements.

| Governance Issue | Actions taken in 2022-23 |
|---|--|
| LGA Peer Review March 2022 | The January 2023 report from the Peer Review team was positive regarding the Council's progress since 2019 and made suggestions for further improvements. |
| Procurement – Non-compliance with Internal Regulations | ARA have commenced follow up work and will report progress on implementation to the ASC. |
| Financial Resilience | <p>Developing and reporting an up-to-date financial plan remains a key part of organisational governance.</p> <p>Strategy and Resources Committee considered in September 2022 an up-to-date financial plan based on the current economic climate and future financial targets were reset in February 2023. When setting new growth items into the Financial Plan explicit link is made with Council Plan objectives to ensure Council funding is directed into key priority areas.</p> <p>The regular system of budget monitoring is maintained both to inform members and key officers of current spending levels and also to allow corrective action to be taken within appropriate timescales where necessary.</p> <p>The risk of the Council issuing a Section 114 notice is low.</p> |
| Risk Management | <p>The Council has updated its Risk Management Policy Statement and Strategy and transitioned risk management into Pentana.</p> <p>Work on updating the supporting procedures and guidance for officers is ongoing.</p> |
| Hybrid Working | The Council has adopted a Hybrid Working Policy and has effectively demonstrated that it can deliver services whilst working in a hybrid environment. |

Appendix A

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| <p>Planning Enforcement</p> | <p>Out of the 13 recommendations made by ARA, 9 have been fully implement.</p> <p>Four recommendations remaining in progress:</p> <ul style="list-style-type: none"> • Completion of a service delivery resourcing assessment and business case for change; • Additional corporate financial resource support to deliver the Business Improvement Plan; • Service challenges such as increased demand of complaints, are met by financial resource approvals to hire experienced staff; and • Complete a staff time and task analysis for a limited period, which can be used to inform the staff resource needs for the service. <p>Internal Audit will continue to review the status of the above four recommendations. Once concluded, the outcomes will be reported to Audit and Standards Committee</p> |
| <p>Cyber Security and Business Continuity</p> | <p>In 2022/23 the Council prioritised cyber security in terms of:</p> <ul style="list-style-type: none"> • Building our knowledge, contacts and team collaboration • Protecting the IT estate via improvements including: <ul style="list-style-type: none"> ○ More comprehensive penetration testing and management of remediation actions ○ Increasing patching and upgrade frequency ○ Progressing a diversified cloud strategy • Improving our response and recovery abilities via process mapping and testing • Implementing tooling to improve filtering, detection, alerting and anti-phishing. |
| <p>Housing Voids</p> | <p>An Internal Audit review of Voids was undertaken during 2021-22. This found that there were opportunities for the Council to improve its performance concerning the management of void properties.</p> <p>A task and finish group was established which reported the outcome of their work to the Housing Committee. As a result, the Council has seen a significant reduction in void times.</p> <p>ARA are currently undertaking follow up work and will report progress on implementation of the recommendations to the ASC in due course.</p> |
| <p>“Fit for the Future” Modernisation Programme</p> | <p>The Council continues to progress its modernisation programme “Fit for the Future”.</p> <p>Significant progress has been made in the People and OD workstream and we are now seeing some good momentum in the community connections and service delivery workstreams.</p> <p>ARA have given positive assurance around project governance.</p> |

| | |
|---|---|
| Leisure Facilities-Local Authority Trading Company | The Council has been working towards setting up a Local Authority Trading Company for the future provision of leisure services. However, due to a change in the treatment of VAT in the leisure industry this work has been paused. The Council are reviewing their options and a report will be presented to the relevant committee(s) in due course as a result the future of leisure facilities will be carried over and continue to be an area of focus for 2023/24 |
| Contract Management Framework | The Council has adopted a new Contract Management Framework. A report regarding the implementation and embedding of the framework and identifying areas of further work was presented to ASC in February 2023 |

5. ARA's Overall Opinion of Stroud District Council's Governance Arrangements

- 5.1 Despite inflation and utility price volatility, the Council has maintained effective service delivery and governance arrangements. There has been no significant detriment on the Council's ability to deliver its statutory services.
- 5.2 Risk registers will be refreshed to reflect the findings of the Review of Risk Management (see below) to ensure they accurately capture the Council's risks. These will be reviewed and regularly monitored by the Corporate Governance Group and SLT and be presented for scrutiny by the ASC as appropriate.
- 5.3 The Council has implemented the Pentana performance and risk management system. This will enhance the Council's ability to monitor its performance and risk management arrangements.
- 5.4 The Council's Monitoring Officer has established a Corporate Governance Group. This group will enhance the Council's governance arrangements by providing greater consistency and understanding of governance issues.
- 5.5 Audit statement – 'On the balance of our 2022/23 audit work for Stroud District Council, enhanced by the work of external agencies, I am able to offer a Satisfactory Assurance opinion in respect of the areas reviewed during the year.'

6. Governance areas of focus for 2023-24.

- 6.1 In preparing this statement and reviewing the effectiveness of the Council's governance arrangements, the following areas have been identified as areas of focus for 2023/24:

| Issue | Actions |
|---------------------------------------|---|
| Update our HR and ICT Policies | <ul style="list-style-type: none"> Complete a review of HR and ICT policies to ensure they are fit for purpose, reflect current statutory requirements, and best practice. |

Appendix A

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|---|---|
| | <ul style="list-style-type: none"> ensure that where appropriate HR and ICT policies are interconnected to ensure that appropriate procedures are in place concerning matters such as employee access to systems and data during periods of long-term sickness absence or when the subject of disciplinary investigations. Update guidance on the use of personal devices for council business |
| Develop our approach to project and programme management | <ul style="list-style-type: none"> Establish a toolkit for projects and programmes; Implement a process for tracking and monitoring projects; Introduce the use of Pentana for project management. |
| Risk Management | <ul style="list-style-type: none"> Complete a thorough review of the Corporate Risk Management Framework ensure the guidance on the Hub is updated provide training to officers and members ARA to undertake follow up work for the Risk Management audit that was undertaken in 2022 and report progress on implementation to the ASC. ARA to conclude work on the production of an Assurance Map |
| Complete the transition of Leisure Services | <ul style="list-style-type: none"> Decision to be taken on the future of leisure services by CS&L Committee, S&R Committee and Full Council by July 2023 Establish governance and project management arrangements for transition to preferred model of operation Complete transfer to preferred model of operation prior to expiry of contract with current provider |
| Register of employee interests, gifts and hospitality | <ul style="list-style-type: none"> Introduce an annual declaration process for all staff which enables the council to hold accurate records of employee conflicts of interest, related party transactions, gifts, and hospitality. |
| Business Continuity | <ul style="list-style-type: none"> Complete the review of all service business continuity plans; Develop a corporate recovery plan; Carry out a test of the corporate recovery plan to ensure it is fit for purpose and to learn lessons. |

7. Certification

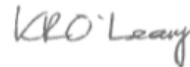
- 7.1 To the best of our knowledge, the Council’s governance arrangements have operated effectively throughout 2022-23.
- 7.2 The Council will continue to be vigilant to risks to our operations, address these accordingly, and further enhance our governance arrangements as appropriate.

- 7.3 We will ensure that the AGS is current at the time of signing. Should a second conclusion on the adequacy of governance arrangements during this period be necessary then any potential impacts will be highlighted in the AGS.
- 7.4 The Strategic Leadership Team (SLT) will oversee this action plan over the coming year and report progress to the Audit and Standards Committee. The SLT will ensure that governance issues continue to be promoted, addressed and monitored throughout the year.
- 7.5 We, the undersigned, are satisfied that appropriate governance arrangements are in place. We propose over the coming year to continue to review and, where appropriate, enhance our governance arrangements.

Signed:



Catherine Braun
Leader of the Council



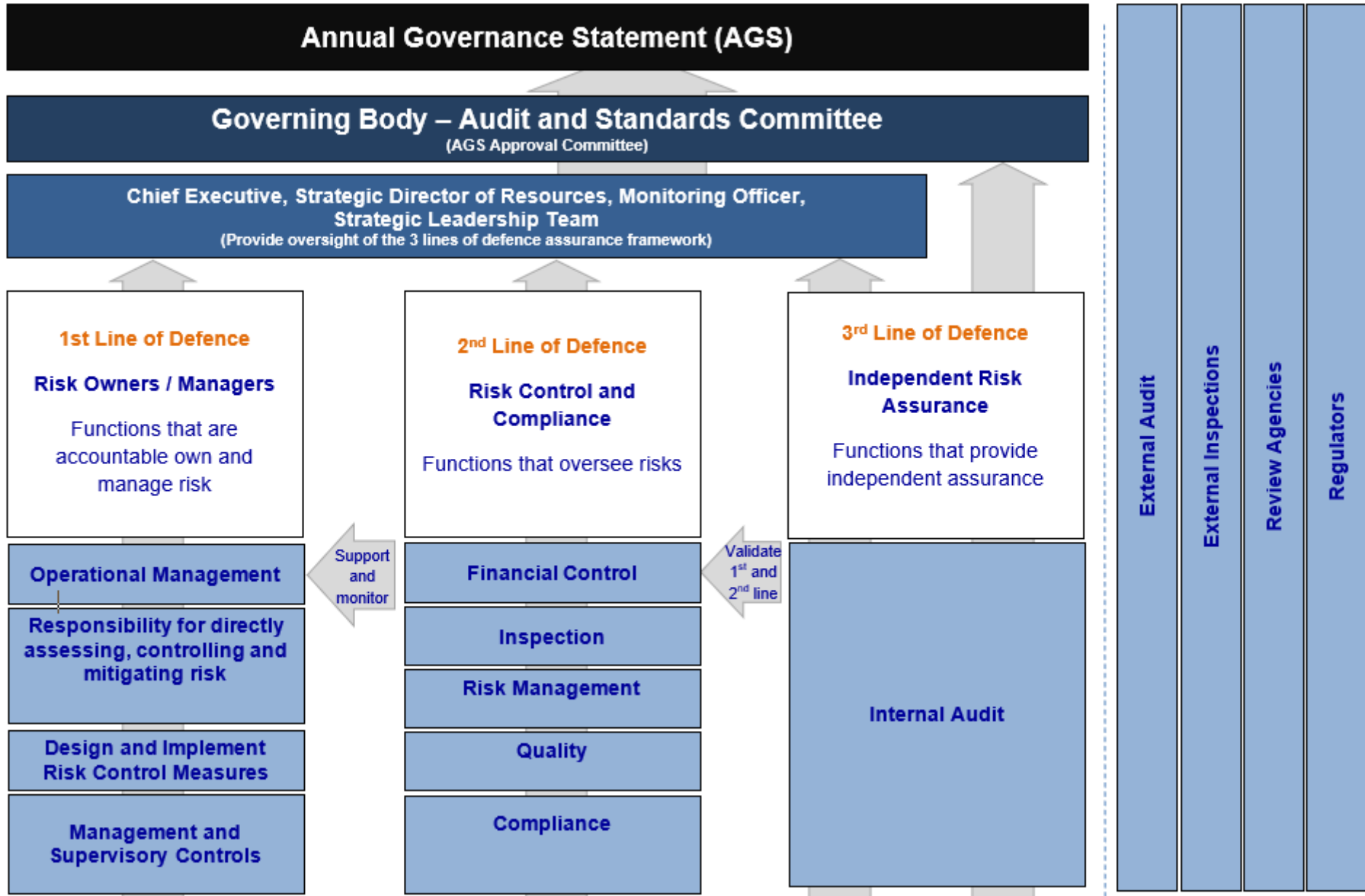
Kathy O'Leary
Chief Executive

Date:

10th July 2023

10th July 2023

Appendix A – The Council’s Governance, Risk and Control Assurance Framework



Annual Governance Statement– Action Plan for 2023-24

| Issue | Actions | Lead Officer | Target Date | Update |
|--|---|---------------------------------|----------------|--------|
| Update our HR and ICT Policies | Complete a review of HR and ICT policies to ensure they are fit for purpose, reflect current statutory requirements, and best practice. | Andrew Cummings | December 2023 | |
| | Ensure that where appropriate HR and ICT policies are interconnected to ensure that appropriate procedures are in place concerning matters such as employee access to systems and data during periods of long term sickness absence or when the subject of disciplinary investigations. | Andrew Cummings | December 2023 | |
| | Update guidance on the use of personal devices for council business | Owen Chandler | December 2023 | |
| Develop our approach to project and programme management | Establish a toolkit for projects and programmes | Claire Hughes and Hannah Barton | January 2024 | |
| | Implement a process for tracking and monitoring projects | Claire Hughes and Hannah Barton | January 2024 | |
| | Introduce the use of Pentana for project management | Claire Hughes and Hannah Barton | January 2024 | |
| Risk Management | Complete a thorough review of the Corporate Risk Management Framework | Sarah Turner | November 2023 | |
| | Ensure the guidance on the Hub is updated | Sarah Turner | November 2023 | |
| | Provide training to officers and members | Sarah Turner | November 2023 | |
| | ARA to undertake follow up work for the Risk Management audit that was undertaken in 2022 and report progress on implementation to the ASC. | ARA | October 2023 | |
| | ARA to conclude work on the production of an Assurance Map | ARA | September 2023 | |

| | | | | |
|---|--|-----------------|----------------|-----------|
| Complete the transition of Leisure Services | Decision to be taken on the future of leisure services by CS&L Committee, S&R Committee and Full Council by July 2023 | Ange Gillingham | July 2023 | |
| | Establish governance and project management arrangements for transition to preferred model of operation | Ange Gillingham | September 2023 | |
| | Complete transfer to preferred model of operation prior to expiry of contract with current provider | Ange Gillingham | October 2024 | |
| Register of employee interests, gifts and hospitality | Introduce an annual declaration process for all staff which enables the council to hold accurate records of employee conflicts of interest, related party transactions, gifts, and hospitality | Claire Hughes | October 2023 | |
| Business Continuity | Complete the review of all service business continuity plans | Claire Hughes | June 2023 | Completed |
| | Develop a corporate recovery plan | Claire Hughes | September 2023 | |
| | Carry out a test of the corporate recovery plan to ensure it is fit for purpose and to learn lessons. | Claire Hughes | November 2023 | |

STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

26 SEPTEMBER 2023

| | | | | |
|--|---|-------|----------|---------------|
| Report Title | Local Code of Corporate Governance | | | |
| Purpose of Report | For members to consider and review Stroud District Councils Local Code of Corporate Governance which has been developed in accordance with the CIPFA/SOLACE framework 'Delivering Good Governance in Local Government'. | | | |
| Decision(s) | The Committee RESOLVES to Adopt the Local Code of Corporate Governance. | | | |
| Consultation and Feedback | Strategic Leadership Team Corporate Governance Group | | | |
| Report Author | Claire Hughes, Corporate Director (Monitoring Officer) Email: claire.hughes@stroud.gov.uk | | | |
| Options | The Committee may determine not to adopt the Local Code although this is not recommended. | | | |
| Background Papers | None | | | |
| Appendices | Appendix A – Local Code of Corporate Governance | | | |
| Implications (further details at the end of the report) | Financial | Legal | Equality | Environmental |
| | No | No | No | No |

1. INTRODUCTION / BACKGROUND

- 1.1 The CIPFA/SOLACE framework 'Delivering Good Governance in Local Government' urges local authorities to review the effectiveness of their existing governance arrangements against a Local Code of Corporate Governance, and prepare a governance statement in order to report publicly on the extent to which they comply with their own code on an annual basis, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes for the coming period.
- 1.2 This report seeks to bring forward to members an updated Local Code of Corporate Governance for Stroud District Council, providing a Governance Framework which can be used to review the effectiveness of our governance arrangements in the financial year 2023/24.

2. MAIN POINTS

- 2.1 Corporate Governance comprises the systems and values by which Stroud District Council is directed and controlled and through which it is accountable. To demonstrate compliance with the principles of good corporate governance, the Council must ensure that it does the right things and in the right way. The Council must also ensure that this is done in a timely, inclusive, open, honest and accountable manner.

- 2.2 To demonstrate 'good governance' the Council should have in place a Local Code which acts as a framework against which the Council is able to review the effectiveness of its controls. This review should then be captured in the Annual Governance Statement.
- 2.3 The attached Local Code of Governance is based on the CIPFA/SOLACE publication entitled "Delivering Good Governance in Local Government". It emphasises the importance of considering the longer term and the links between governance and public financial management. The Local Code specifically identifies the actions and behaviours taken by the Council in relation to each of the core and associated sub-principles as set out in the code.
- 2.4 Moving forward an annual review of the Local Code of Corporate Governance will be undertaken and presented to the Audit and Standards Committee each year. This will ensure that the Council is able to effectively review the effectiveness of its governance arrangements and identify any areas for improvement.

3. CONCLUSION

- 3.1 Having in place a Local Code of Corporate Governance will provide the Council with a robust framework which will enable it to review the effectiveness of its governance controls and identify any areas for future improvement.

4. IMPLICATIONS

4.1 Financial Implications

There are no significant implications within this category

Andrew Cummings, Strategic Director of Resources

Tel: 01453 754115 Email: andrew.cummings@stroud.gov.uk

4.2 Legal Implications

There are no legal implications arising from the recommendation of this report. Whilst it is not a statutory requirement, CIPFA recommends that all local government bodies develop a local code of governance.

One Legal

Tel: 01684 272012 Email: legalservices@onelegal.org.uk

4.3 Equality Implications

An EIA is not required because there are not any specific changes to service delivery proposed within this decision.

4.4 Environmental Implications

There are no significant implications within this category.



Local Code of Corporate Governance

May 2023

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Ebley Mill
Stroud
GL5 4UB

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Telephone: 01453 766321

Appendix A

1. Delivering Good Governance

1.1 The Delivering Good Governance in Local Government; Framework, published by CIPFA in association with SOLACE, sets the standard for local authority governance in the UK. The concept underpinning the framework is to support local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The purpose of the Framework is to assist authorities individually in reviewing and accounting for their own unique approach, with the overall aim to ensure that:

- Resources are directed in accordance with agreed policy and according to priorities
- There is sound and inclusive decision making
- There is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities

1.2 Governance is a term used to describe the arrangements (including political, economic, social, environmental, administrative, legal and other arrangements) put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

1.3 Good governance enables the Council to effectively achieve its intended outcomes, whilst acting in the public interest at all times.

1.4 The Delivering Good Governance in Local Government Framework, sets out seven core principles of governance as detailed in the diagram below. Stroud District Council is committed to these principles of good governance and confirms this through the adoption, monitoring and development of the document – The Council’s Local Code of Corporate Governance.

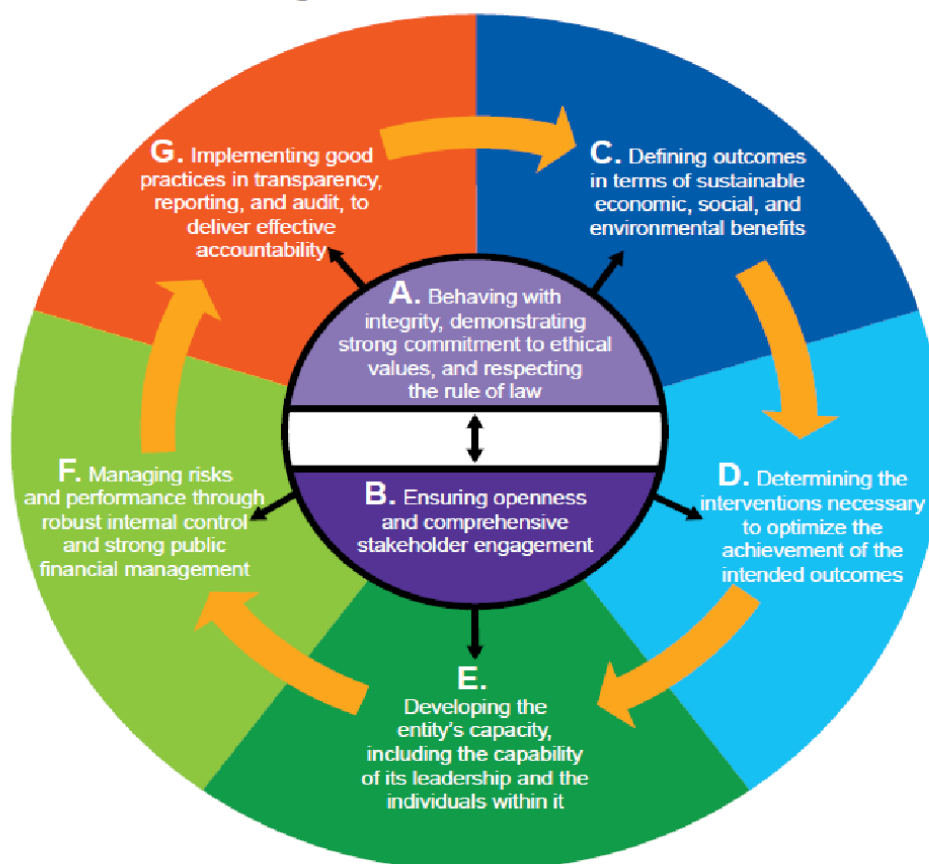
1.5 Our Local Code is underpinned by the Delivering Good Governance in Local Government; Framework and is comprised of policies, procedures, behaviours and values by which the Council is controlled and governed. These key governance areas and how the Council provides assurance that is complying with these are set out in more detail within its Governance Assurance Framework.

1.6 The Council recognises that establishing and maintaining a culture of good governance is as important as putting in place a framework of policies and procedures. The Council expects members and officers to uphold the highest standards of conduct and behaviour and to act with openness, integrity and accountability in carrying out their duties.

1.7 This diagram illustrates how the various principles for good governance in the public sector relate to each other. Principle A and B permeate the implementation of Principles C to G.

1.8 Further information regarding each of the principles and the behaviours and actions that demonstrate good governance in practice are detailed below.

Achieving the Intended Outcomes While Acting in the Public Interest at all Times



2. Status

- 2.1** Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 require an authority to conduct a review at least once in a year of the effectiveness of its systems of internal control and include a statement reporting on the review with any published Statement of Accounts. This is known as an Annual Governance Statement.
- 2.2** The Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be prepared in accordance with proper practices in relation to accounts. Therefore, a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government; Framework (2016) and this section of the Code.

3. Monitoring and Review

- 3.1** The Council will monitor its governance arrangements for their effectiveness in practice and will report them on a continuing basis to ensure that they are up to date. The Council's Governance Assurance Framework sets out in more detail how the Council will seek assurance on its adherence to the adopted principles of governance.
- 3.2** On an annual basis, the Chief Executive and Leader of the Council will publish an Annual Governance Statement which will:
- Assess how the Council has complied with this Local Code of Corporate Governance
 - Provide an opinion on the effectiveness of the Council's arrangements

Appendix A

- Provide details of how continual improvement in the systems of governance will be achieved.

3.3 The Audit and Standards Committee considers the Annual Governance Statement before it is published as part of the Council's financial statements.

3.4 The Audit and Standards Committee considers a mid-year report setting out the progress against any areas of improvement identified in the Annual Governance Statement.

4. Stroud District Council's Corporate Governance Principles

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

The Council fosters a culture of behaviour based on shared values, ethical principles and good conduct. It puts in place arrangements to ensure that Members and employees are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders.

The Council does this by:

- Establishing and keeping under review:
 - Constitution
 - a Member Code of Conduct;
 - a protocol governing Member/Officer relations;
 - protocols for members and officers dealing with licensing and/or planning matters;
 - a protocol for the attendance of officers and members at meetings of another public authority;
 - Employee Code of Conduct
 - systems for reporting and dealing with any incidents of fraud and corruption.
 - Whistleblowing policy
- Appointing an Audit and Standards Committee that has responsibility for promoting and monitoring the application of many of the above protocols;
- The Monitoring Officer, supported by three independent persons, receiving and determining any complaints about an elected member (of the District or a Town/Parish Council);
- The development and implementation of a governance framework for significant partnerships.

B: Ensuring openness and comprehensive stakeholder engagement

The Council engages with local people and other stakeholders by:

- Forming and maintaining relationships with the leaders of other organisations;
- Holding all Member decision-making meetings in public (except where information to be discussed is exempt)
- Live broadcasting its committee and council meetings

- Providing and supporting ways for citizens to present community concerns to the Full Council, and Committee meetings, including procedures for raising public questions and presenting petitions;
- Carrying out public consultation and engagement on budget priorities, major service changes and projects as required;
- Conducting an annual resident and business survey
- Having an active Youth Council
- Promoting the use of community forums/panels on specific issues

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

The Council's corporate priorities, expressed as community outcomes and objectives, set out what the Council hopes to achieve; on its own or in partnership with others. These priorities are supported by this Code as good governance should underpin all the work of the Council.

The Council's three key priorities are set out in the Council Plan 2021-2026:

- Environment and Climate Change – protecting our environment and leading the district to carbon neutrality in 2030
- Community Resilience and Wellbeing – strengthening and supporting our communities so people feel included and connected
- Economy, Recovery and Regeneration – supporting a thriving and resilient local economy

These priorities are underpinned by a number of objectives and associated actions and associated strategies and policies, including the 2030 Strategy, Social Value Policy and our Ethical Investment Policy.

Service Plans identify the objectives and priorities that link to the agreed priorities within the Council Plan

D: Determining the intervention necessary to optimise the achievement of the intended outcomes

The Council has a Corporate Governance Group who provide strategic oversight of governance whilst seeking to continually enhance our three lines of defence. Their regular oversight facilitates key intervention as required.

The Strategic Leadership Team provides strategic leadership for the council, overseeing a working environment which supports the effective achievement of council plans and priorities, maintains all necessary standards of compliance and good practice, and ensures the council is a great place to work.

The Council engages with the Local Government Association to share good practice and from time to time engages in a peer challenge process of functions. The most recent being a Corporate Peer Challenge of the Council carried out in March 2022 and followed with a revisit in January 2023.

Appendix A

Risk is managed by way of service risk registers and a strategic risk register. The strategic risk register is reviewed at least quarterly by the corporate governance group and the Audit and Standards Committee.

The Corporate Policy and Governance Team oversees a developing process of performance management and service planning, linked to the Council Plan. This includes appropriate KPIs on business performance. Key indicators are reported to Policy Committees via member performance monitoring champions.

A robust system of budgetary control is in operation. Monthly budget monitoring is carried out between individual budget holders and the finance team. Reporting of key variances to SLT takes place quarterly. Also in place is a quarterly monitoring report to every Policy Committee and the Development Control Committee. An annual outturn report on overall financial performance, including movement on usable reserves, is considered by the Strategy and Resources Committee.

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

Our People Strategy is the roadmap for how our people deliver the vision of 'making Stroud District a better place to live, work and visit for everyone'. It articulates how we plan to create a high performing, inclusive, modern council with a culture of openness, customer focus and collaboration, led by inspirational leaders. All our people, irrespective of their role, are key to achieving our vision.

The Strategic Leadership Team (SLT) have clearly defined and distinctive leadership roles within a structure whereby the SLT lead in implementing strategy and managing the delivery of services.

We ensure that staff have access to a suitable induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged. Officers are supported in their development through the use of corporate training offered via a range of channels, including face to face and web-based delivery. Where required as part of their job, officers are actively encouraged to fulfil their Continuing Professional Development requirements and budget is made available for this purpose.

All members of SLT are members of Solace (The Society of Local Authority Chief Executives and Senior Managers)

Operations, performance and the use of assets are reviewed on a regular basis to ensure their continuing effectiveness

To ensure that members have the skills to operate effectively the Council provides a detailed induction programme for all new members. This is supplemented with additional training throughout their term of office and supported by:

- Implementing a Member Development Strategy;
- Appointing a member development group
- Running a range of training sessions on a variety of topics;
- A specific requirement for members of the planning and licensing committees to have attended training before determining any applications, together with a continuing

requirement for planning committee members to attend at least 1 further training session per year;

- The use of bespoke external training as and when required.

This process is overseen by a cross party member development group, supported by Senior Officers.

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

The Council explains and reports regularly on activities, performance and the Council's financial position through reports to its Committees. Timely, objective and understandable information about the Council's activities, achievements, performance and financial position is provided. This includes publication of:

- Quarterly Performance Reports
- Quarterly budget monitoring reports
- Annual Outturn Report
- Externally audited accounts including an Annual Governance Statement.

The Council aims to ensure that it makes best use of resources and that tax payers and service users receive good value for money. The Council does this by:

- Delivering and enabling services to meet the needs of the local community, and putting in place processes to ensure that they operate effectively in practice;
- Developing effective relationships and partnerships with other public sector agencies and the private and voluntary sectors; and
- Responding positively to the findings and recommendations of internal and external auditors and putting in place arrangements for the implementation of agreed actions.

The Council ensures that:

- Its decision-making processes enable those making decisions to be provided with information that is relevant, timely and gives clear explanations of technical issues and their implications; and
- Appropriate legal, financial and other professional advice is considered as part of the decision-making process.

The Council operates a risk management framework that aids the achievement of its strategic and business outcomes and priorities, protects the Council's reputation and other assets and is compliant with statutory and regulatory obligations.

The Council ensures that the risk management framework:

- Enables officers to formally identify, evaluate and manage risks;
- Involves elected Members in the risk management process;
- Is applied to the Council's key business processes, including strategic planning, financial planning, policy-making and review, performance management and project management; and
- Is applied to the Council's significant partnerships and projects.

Appendix A

Allied to the risk management framework, the Council also develops and maintains plans for business continuity and emergency management.

The Strategic Risk Register is reviewed by the Strategic Leadership Team, Alliance Leadership Team, the Corporate Governance Group and the Audit and Standards Committee. Individual projects are required to retain their own risk register with any high/red risks being reported to the Strategic Leadership Team. Elevated project or service risks are reviewed by the Strategic Leadership Team quarterly or more often if required.

The Council reviews and, if necessary, updates its risk management framework regularly. It also provides appropriate training and awareness-raising activity to ensure that risk management is embedded into the culture of the authority, with elected members and managers at all levels recognising that risk management is part of their jobs.

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

The Council ensures that the necessary roles and responsibilities of those with responsibility for the governance of the Council are identified and allocated so that it is clear who is accountable for decisions that are made. The Council does this by:

- Agreeing the functions to be delegated to Committees;
- Agreeing a scheme of delegated Council responsibilities to senior officers;
- Appointing Statutory Officers that have the skills, resources and support necessary to perform effectively in their roles and ensuring that these roles are properly understood throughout the authority;
- Annually appointing Committees to discharge the Council's regulatory and audit responsibilities;
- Ensuring that our partnerships have in place appropriate arrangements for:
 - all aspects of operational management;
 - ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control; and
 - ensuring that agreed procedures are followed and that all applicable statutes, regulations, procedure rules and other relevant statements of good practice are complied with.
- Publishing and reviewing, as necessary, a Constitution which includes:
 - schemes of delegation of both Council and Executive functions;
 - a Members' Allowances Scheme, developed taking into account the recommendations of the Independent Remuneration Panel; and
 - protocols governing Member/Officer Relations and the roles of members and officers in decision making

Developing a governing document for all key partnerships which sets out the roles and responsibilities of partnership members and details decision making procedures. The Council aims to be transparent about how decisions are taken and recorded. The Council does this by:

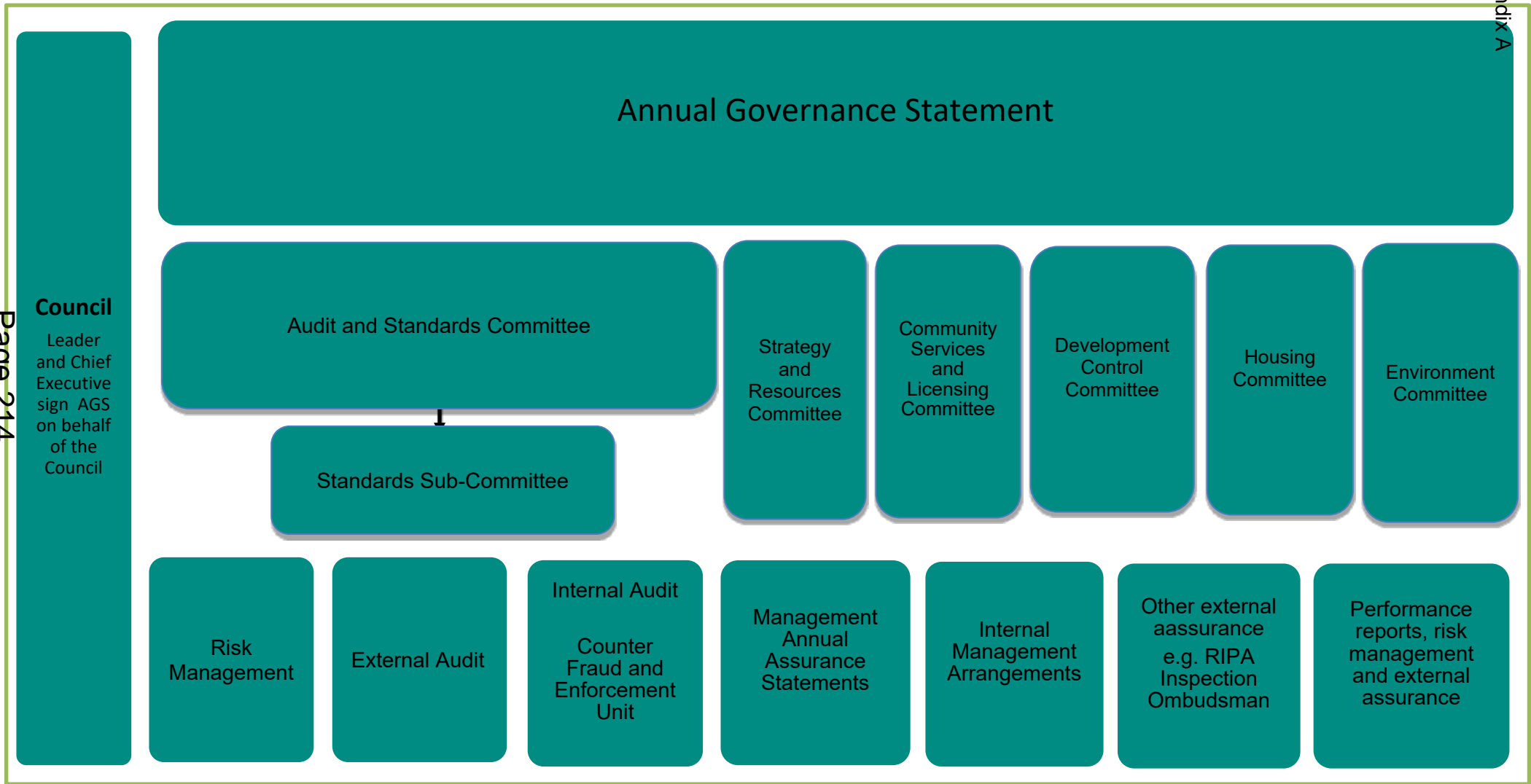
- The live broadcasting of Council and Committee meetings;
- Ensuring that committee and council decisions are made in public and that information relating to those decisions is made available to the public (except where that information is exempt);

- Recording all decisions that are made by the committees and making the details publicly available (except where that information is exempt);
- Recording key officer decisions and making the details publicly available (except where that information is exempt); and
- Having rules and procedures which govern how decisions are made.

The Council has put in place a range of arrangements to ensure that decisionmakers can be held to account, including:

- Establishing an effective Audit and Standards Committee, to oversee the Council's corporate governance arrangements and ensure that they are operating effectively;
- Establishing an accessible system for dealing with customer complaints, and a separate system for dealing with complaints of misconduct against Councillors; and
- Establishing, reviewing and publicising a whistleblowing policy.

Overview of Corporate Governance Assurance Framework



STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

26 SEPTEMBER 2023

| | | | | |
|--|---|-------|----------|---------------|
| Report Title | Annual Report of The Chair of The Audit and Standards Committee for 2022-23 | | | |
| Purpose of Report | <p>The Annual Report of the Chair of the Audit and Standards Committee (the Committee) summarises the Committee's activities during 2021-22 and sets out its plans for the next twelve months. This report provides independent assurance that the Council has in place:</p> <p>I. Adequate and effective governance, risk management and internal control frameworks;</p> <p>II. Internal and External Audit services; and</p> <p>III. Financial reporting arrangements that can be relied upon and which contribute to the high corporate governance standards that this Council expects and maintains.</p> | | | |
| Decision(s) | <p>The Committee</p> <p>a) RESOLVES to agree the Annual Report of the Chair of the Audit and Standards Committee 2022-23; and</p> <p>b) RECOMMENDS TO COUNCIL that the Annual Report 2022-23 be approved.</p> | | | |
| Consultation and Feedback | Audit and Standards Committee have been consulted on the report content. | | | |
| Report Author | Piyush Fatania Head of Audit Risk Assurance (ARA) Tel: 01452 328883 Email: piyush.fatania@gloucestershire.gov.uk | | | |
| Options | There are no alternative options that are relevant to this matter. | | | |
| Background Papers | None. | | | |
| Appendices | Appendix A – Audit and Standards Committee Annual Report 2022-23. | | | |
| Implications (details at the end of the report) | Financial | Legal | Equality | Environmental |
| | No | No | No | No |

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ANNUAL REPORT OF THE CHAIR OF THE AUDIT AND STANDARDS COMMITTEE – DRAFT 2022-23

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Foreword

As Chair of the Audit and Standards Committee, I am pleased to present this report on our contribution to the Council's oversight of risk and governance for 2022-23.

Effective management and governance are important to ensure that the Council successfully delivers crucial services to our community, improves performance and reduces the risk of not achieving our objectives.

The Audit and Standards Committee (the Committee) is a core component of effective governance. Our role is to independently oversee and assess the internal control, governance and risk management environment and to constructively advise the Council on the adequacy and effectiveness of these arrangements. The Committee considers and monitors internal and external reports and recommends actions to the Council to address any deficiencies.

We undertake a wide range of activities and work closely with the Strategic Director of Resources (Section 151 Officer), the Monitoring Officer, Internal and External Audit.

Our work programme is structured around the Committee's main areas of responsibility. It is reviewed and agreed at each meeting to enable key tasks to be considered and delivered.

Through our work programme, we have provided independent assurance on the adequacy of the governance, risk management and control environment. This includes assurance on the Council's performance where this affects exposure to risk and weakens the control environment. We have also overseen the statutory financial reporting process.

Members requested additional reports from officers on particular areas where we felt this was helpful for assurance purposes. The Committee also requested reviews within the Development Management Service (including Planning and Planning Enforcement). These reports provided a sound foundation for future service provision. The Committee acknowledges the work by Council officers and Internal Audit to produce these reports.

The External Auditor provided an opinion on the 2021-22 annual statutory accounts and these were approved by the Committee.

This report is to inform Council of the Committee's work in 2022-23 and to note our opinion on the standard of governance, risk management and the audit arrangements in place.

The Committee has made a positive contribution to the Council's overall governance, control and risk arrangements and has been successful in fulfilling its terms of reference. I am satisfied that the Council has maintained an adequate and effective internal control framework through the period covered by this report.

The Committee considered regular reports on Treasury Management, Risk Management, the Contract Management Framework, Fraud, Internal Audit Progress, the Annual Statement of Accounts and Annual Governance Statement.

Finally, I would like to convey my thanks to all the members of the Committee and to the officers for all the work done during the past year. While the work was performed under somewhat challenging circumstances the results have justified the effort.

Councillor Nigel Studdert-Kennedy

Chair of the Audit and Standards Committee

Appendix A

1. Background

- 1.1 Stroud District Council (the Council) is responsible for ensuring that its business is conducted lawfully and to proper standards. This includes ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. In discharging this responsibility, the Council must ensure that it has proper arrangements for the governance of its affairs in place.
- 1.2 A sound corporate governance framework requires accountability to service users, stakeholders and the wider community. Within this, the Council takes decisions, leads and controls its functions to achieve stated objectives and priorities. It thereby provides an opportunity to demonstrate the positive elements of the Council's business and promote public confidence. Audit Committees are widely recognised as a core component of effective governance.
- 1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) confirm that "Audit Committees are a vital part of any organisation". The Council's Audit and Standards Committee (the Committee) is responsible for overseeing corporate governance, audit and risk management arrangements. The Committee is also responsible for approving the Statement of Accounts and the Annual Governance Statement (AGS). The Committee's specific powers and duties are set out in the Council's Constitution.
- 1.4 The key benefits of the Committee are:
 - i. Maintaining public confidence in the objectivity and fairness of financial and other reporting. This includes providing a focus on financial reporting throughout the year, leading to confidence in the objectivity and fairness of the financial governance arrangements operating within the Council;
 - ii. Reinforcing the importance and independence of Internal and External Audit and any other similar review process;
 - iii. Considering assurance from various sources and holding management to account;
 - iv. Providing assurance through a process of independent and objective review, via the Internal Audit service provided by Audit Risk Assurance (ARA);
 - v. Raising the Council's awareness of the need for governance, ethical behaviour, internal control and the implementation of audit recommendations; and
 - vi. Providing assurance on the adequacy of the Council's risk management arrangements, including the risk of fraud and irregularity.
- 1.5 The Committee is established in accordance with CIPFA's "Audit Committees – Practical Guidance for Local Authorities and Police – 2022". It has a direct reporting line to full Council, and the Chair also has direct access to the Chief Executive and the Leader, as required.
- 1.6 The Committee maintained a detailed work programme for its main areas of activity which it considered and updated at each meeting.
- 1.7 The Committee met five times during the year and each meeting had a full and wide-ranging agenda, reflecting its broad role.

2. Committee Role and Responsibilities

2.1 The core functions of the Committee are incorporated in its terms of reference. They are presented under the main areas of activity, which are to oversee:

- i. Audit activity (Internal, External and any Inspections);
- ii. Regulatory framework; and
- iii. The Statutory Accounts and AGS.

2.2 The Committee raises awareness of the need for sound internal control and risk management arrangements. The Committee's presence and effective operation provide assurance to the Council and stakeholders about these important aspects of governance.

3. Audit Committee Membership

3.1 The Committee's membership of nine elected Councillors for 2021-22 was:

- i. Councillor Nigel Studdert-Kennedy (Chair)
- ii. Councillor Martin Percy (Vice Chair)
- iii. Councillor Paula Baker
- iv. Councillor Stephen Davies
- v. Councillor Nick Hurst
- vi. Councillor Norman Kay
- vii. Councillor Keith Pearson
- viii. Councillor Ashley Smith and
- ix. Councillor Rich Wilsher

3.2 The Council's officers and External Auditors (Deloitte) support the Committee. Key officer engagement is principally via the Strategic Director of Resources (S151 Officer), the Monitoring Officer and the Head of ARA.

4. 2022-23 Committee Achievements

4.1 The Committee has overseen the Council's work on risk management, governance, treasury management and counter fraud.

4.2 The outcomes of the Committee's work in relation to its core functions are summarised below.

4.3 **Internal Audit** – the Council's Internal Audit is provided by ARA. The Committee reviewed and considered:

- i. The Internal Audit Annual Plan for 2022-23. The Committee contributed towards the formulation of the Internal Audit Plan. The plan helps Internal Audit to target resources to those areas considered to be the highest risks, or which contribute most to the achievement of the Council's corporate objectives.
- ii. The Head of ARA's Annual Report and opinion for 2021-22. This provided an Acceptable opinion on the effectiveness of the Council's internal control environment and summarised the activity upon which that opinion was based. The

Appendix A

Committee can therefore take reasonable assurance that there is a sound system of internal control in place at the Council;

- iii. Internal Audit reports – this included receiving responses from officers and Members;
- iv. Reports on Internal Audit's progress against the Annual Audit Plan through regular update reports presented by the Head of ARA;
- v. Management progress to address control weaknesses identified in Internal Audit reports where a limited opinion on the control environment has been provided; and
- vi. The outcomes of special investigations undertaken by the Internal Audit Counter Fraud team. This included progress made in the investigation of queries arising as a result of the National Fraud Initiative (NFI) data matching exercise.

4.4 **External Audit** – the Local Audit and Accountability Act 2014 confirms that a Council must appoint an External Auditor to audit the Council's annual Statement of Accounts and value for money arrangements. Under the Public Sector Audit Appointments (PSAA), Bishop Fleming LLP were the appointed External Auditor for the Council for the period 2023-24 to 2028-29.

4.5 The Committee (or the Chair via delegated responsibility) have monitored the work of the External Auditor and have:

- i. Considered and accepted the Annual Audit Letter for 2021-22. This summarises the outcomes from External Audit work during this period;
- ii. Received and considered regular External Audit progress reports;
- iii. Considered and approved the draft Statement of Accounts for 2021-22 of the Council, with regular updates on the position received from External Audit;
- iv. Considered and accepted the Audit Results Report;
- v. Considered and approved the Letter of Representation; and

4.6 **Risk Management** – the Committee:

- i. Received regular risk management update reports (including the review of the Strategic Risk Register); and
- ii. Considered risk and opportunity management implications within Internal Audit reports;

4.7 Risk management is a key component of effective governance and the Committee supports management arrangements to embed this within the Council's key business processes.

4.8 **Regulatory and Governance** – the Committee:

- i. The Council has appointed a Monitoring Officer who has established a Corporate Governance Group. This will enhance the Council's governance arrangements through training and information dissemination;
 - ii. The Council's Local Code of Governance (the Code) is currently being reviewed and will be the subject to review by the Committee in 2023-24;
 - iii. Reviewed the progress made by management to address the required actions identified in the 2021-22 AGS Improvement Plan; and
- 4.9 CIPFA have issued refreshed Audit Committee guidance in 2022-23. The Committee will ensure robust self-assessment against the new guidance and identify improvement actions as required.
- 4.10 **Treasury Management** – is a key area for the Committee to monitor and they continue to consider and recommend to full Council for approval amendments to the investment strategy in response to changing market conditions. The Committee continues to monitor the £10m of longer-term investments in property funds and multi-asset funds arising from that change. During the year, the Committee has:
- i. Received and accepted the quarterly and half yearly Treasury Management activity reports which monitor treasury activity against the 2022-23 strategy; and
 - ii. Considered and recommended to full Council the annual report setting out the Treasury Management Strategy, the Annual Investment Strategy and Minimum Revenue Provision Policy Statement 2022-23. This report also set the Council's prudential indicators for 2022-23 and includes an Ethical Investment Policy which seeks to increase Environment, Social and Governance factors in investment decision making.
- 4.11 **Annual Statement of Accounts and the AGS** – the Committee:
- i. Scrutinised the draft annual Statement of Accounts for 2021-22;
 - ii. Ensured appropriate accounting policies had been followed and considered whether there were any concerns that needed the attention of Council. Following scrutiny, the Committee approved the annual Statement of Accounts; and
 - iii. Considered and approved the AGS and Annual Statement of Accounts for 2021-22.
- 5. Work Programme**
- 5.1 The Audit Committee can report that the majority of governance functions and processes are well-controlled and delivered.
- 5.2 Where Internal Audit reports revealed risks of concern, the Committee have asked questions of management to explain their plans to rectify any areas of weakness.
- 5.3 Recent reports to the Committee have indicated that further work is needed on some areas around counter fraud and risk management arrangements.

Appendix A

6. Training

- 6.1 A breadth of mandatory training sessions and wider training opportunities have been offered to all Council Members within the 2022-23 Civic Year. These have included (but are not exclusive to) sessions on the following training themes:
- i. Treasury Management and the Ethical Investment Policy;
 - ii. Risk Management; Project Management; Data Protection; and
- 6.2 In addition to the above, the following training was specifically made available to members of the Committee in 2022-23 to support them in discharging their responsibilities:
- i. Audit and Standards Risk Based Internal Audit Annual Plan Workshop in February 2023 – Advisory for all Audit and Standards Committee Members; and

7. Conclusions

- 7.1 The Committee has been successful in maintaining oversight of the Council's governance, risk management and internal control framework throughout 2022-23 and providing constructive challenge.
- 7.2 The Committee's work programme is dynamic. The programme is regularly reviewed to ensure the Committee maximises its contribution to the governance and control framework, while ensuring that the agenda for meetings are focused on key issues.
- 7.3 The Committee is committed to ensuring high governance standards are maintained.
- 7.4 During 2023-24, the Committee will continue to be an important source of assurance over the Council's risk management and control environments, and the financial and performance reporting arrangements.
- 7.5 In particular, the Committee will continue to:
- i. Support the work of Internal and External Audit and ensure appropriate responses are given to their recommendations;
 - ii. Monitor actions arising from the AGS Action Plan for 2022-23, to ensure the Council's governance arrangements are effective; and
 - iii. Monitor actions arising from the Risk Management Annual Report 2022-23 Action Plan and support their implementation.

STROUD DISTRICT COUNCIL

AUDIT & STANDARDS COMMITTEE

26 SEPTEMBER 2023

| | | | | |
|--|---|-------|----------|---------------|
| Report Title | Annual Report Of The Head Of Audit Risk Assurance (ARA) 2022/23 | | | |
| Purpose of Report | To provide the Committee with an annual report on Internal Audit Activity which fully meets the Head of ARA's annual reporting requirements, as set out in the Public Sector Internal Auditing Standards (PSIAS) 2017. | | | |
| Decision(s) | The Committee RESOLVES to: <ol style="list-style-type: none"> I. Assess, from the findings set out in this Annual Report, whether it can take reasonable assurance that the internal control environment, comprising risk management, control and governance is operating effectively; II. Note that the performance of Internal Audit meets the required standards; and III. Note the Council wide counter fraud activity during 2022/23. | | | |
| Consultation and Feedback | Internal Audit findings are discussed with Service Heads/Managers and Directors (where relevant). Management responses to recommendations are included in each activity report. | | | |
| Report Author | Piyush Fatania, Head of ARA Tel: 01452 328883 Email: piyush.fatania@gloucestershire.gov.uk | | | |
| Options | There are no alternative options that are relevant to this matter. | | | |
| Background Papers | The CIPFA Local Government Application Note for the UK PSIAS. Web links to published background papers are contained within the covering report. | | | |
| Appendices | Appendix A: Annual Report of the Head of ARA 2022/23 | | | |
| Implications (further details at the end of the report) | Financial | Legal | Equality | Environmental |
| | No | No | No | No |

1. INTRODUCTION / BACKGROUND

- 1.1 The [Accounts and Audit Regulations 2015](#) state that 'a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance'. During 2021/22, Internal Audit work was carried out in accordance with the [Public Sector Internal Audit Standards \(PSIAS\) 2017](#) and the CIPFA Local Government Application Note for the UK PSIAS.
- 1.2 The PSIAS define Internal Audit as 'an independent objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an

organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

- 1.3 To achieve full effectiveness, the scope of the Internal Audit service should provide an unrestricted range of coverage of the Council’s operations and have sufficient authority to access such records, assets and personnel as are necessary for the proper fulfilment of responsibilities. These access rights are specified in the Internal Audit Charter and Code of Ethics, which have been approved by Members.
- 1.4 The PSIAS requires the Head of ARA to ‘provide a written report to those charged with governance timed to support the Annual Governance Statement’. The content of the report is prescribed by the PSIAS which specifically requires Internal Audit to:
 - I. Provide an opinion on the overall adequacy and effectiveness of the organisation’s internal control environment and disclose any qualifications to that opinion, together with the reasons for the qualification;
 - II. Compare the actual work undertaken with the planned work, and present a summary of the audit activity undertaken from which the opinion was derived, drawing attention to any issues of particular relevance;
 - III. Summarise the performance of the Internal Audit service against its performance measures and targets; and
 - IV. Comment on compliance with the PSIAS.
- 1.5 A separate report containing the Annual Governance Statement is included on the agenda for the Audit and Standards Committee on 26th September 2023.

2. MAIN POINTS

- 2.1 The role of the ARA Shared Service is to examine, evaluate and provide an independent, objective opinion on the adequacy and effectiveness of the Council’s internal control environment, comprising risk management, control and governance. Where weaknesses have been identified, recommendations have been made to improve the control environment.
- 2.2 The PSIAS state that the Head of ARA should report on the outcomes of Internal Audit work, in sufficient detail, to allow the Committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address.
- 2.3 Consideration of reports from the Head of ARA on Internal Audit’s performance during the year, including updates on the work of Internal Audit, is also a requirement of the Audit and Standards Committee terms of reference.
- 2.4 The **Appendix A** Annual Report of the Head of ARA 2022/23 has been drafted to meet PSIAS requirements (as referred to in paragraphs 1.4 and 2.2) and comply with the Audit and Standards Committee terms of reference.

3. CONCLUSION

- 3.1 The purpose of the Annual Report of the Head of ARA 2022/23 is to support the Committee in its role to gain and provide independent assurance to Council on the adequacy of the risk management framework and the internal control environment.
- 3.2 Non completion of the Annual Report of the Head of ARA would lead to non-compliance with the PSIAS, the Audit and Standards Committee terms of reference and the [Council Constitution](#) (which confirms the Audit and Standards Committee role to oversee the audit service of the Council).

4. IMPLICATIONS

4.1 Financial Implications

There are no financial implications arising directly from this report.

Andrew Cummings, Strategic Director of Resources
Tel: 01453 754115 Email: andrew.cummings@stroud.gov.uk

Risk Assessment:

Failure to deliver an effective Internal Audit service will prevent an independent, objective assurance opinion from being provided to those charged with governance that the key risks associated with the achievement of the Council's objectives are being adequately controlled.

4.2 Legal Implications

There are no specific legal implications in addition to those mentioned in the report.

Contact: One Legal
Tel: 01684 272691 Email: legal.services@onelegal.org.uk

4.3 Equality Implications

There are not any specific changes to service delivery proposed within this decision.

4.4 Environmental Implications

There are no significant implications within this category.

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ANNUAL REPORT OF THE HEAD OF AUDIT RISK ASSURANCE FOR 2022-23 SEPTEMBER 2023

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1. Introduction

- 1.1 The Chartered Institute for Public Finance Accountants (CIPFA) and the Chartered Institute of Internal Auditors – UK and Ireland (CIIA) issued The Public Sector Internal Audit Standards (PSIAS).
- 1.2 The PSIAS define Internal Audit as “an independent, objective, assurance and consulting activity designed to add value and improve the Council’s operations. Internal Audit helps the Council to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.
- 1.3 Alongside the PSIAS, a Local Government Application Note was also developed as sector-specific guidance for local government organisations. This provides practical guidance on how to apply the PSIAS in local government.
- 1.4 Internal Audit is a statutory service required by section 5 of the Accounts and Audit Regulations 2015 (the Regulations). The Internal Audit service for Stroud District Council (the Council) is provided by Audit Risk Assurance (ARA), and complies with the above definition.
- 1.5 Internal Audit helps the Council to manage its risks and achieve its objectives. This includes reviewing processes and governance arrangements involved in producing the Council’s Statutory Accounts and the Annual Governance Statement (AGS). We report on these to management and the Audit and Standards Committee (the Committee).
- 1.6 The PSIAS require the Head of ARA to report annually to those charged with governance, Internal Audit’s opinion on the Council’s overall internal control, governance and risk environment arrangements. The opinion is based on the work undertaken by Internal Audit.
- 1.7 This report’s contents are prescribed by the PSIAS which requires Internal Audit to:
 - i. Provide an opinion on the overall adequacy and effectiveness of the organisation’s internal control environment and disclose any qualifications to that opinion, together with the reasons for the qualification;
 - ii. Compare planned work to that delivered and present a summary of the audit activity from which the opinion was derived, drawing attention to any issues of particular relevance;
 - iii. Summarise the performance of the Internal Audit service against its performance measures and targets; and
 - iv. Comment on compliance with the PSIAS.
- 1.8 By accepting the Annual Report of the Head of ARA, the Committee contributes to the fulfilment of its corporate governance responsibilities through the following:
 - i. Recognition of the overall adequacy and effectiveness of the management arrangements which safeguard the Council from significant business risks;

Appendix A

- ii. Providing a source of assurance for those charged with governance to produce a fair and representative AGS in the Statutory Accounts; and
 - iii. Ensuring Internal Audit assists the Council to maintain and develop its internal control and governance environment and improve the management of its risks.
- 1.9 Internal Audit in local government is required to operate in accordance with the PSIAS. In 2020 Internal Audit were externally assessed as being in “General Compliance” with the PSIAS. This is the highest level of compliance possible. We can confirm that Internal Audit has complied with the PSIAS during 2022-23.
- 1.10 This Annual Report is produced in accordance with, and conforms to, the core principles of the PSIAS.

2. Overall Opinion

- 2.1 My opinion is that overall, an Acceptable Level of assurance can be provided in connection with the Council’s internal control, governance and risk environment. The findings that have contributed to the level of assurance are those that have been reported to the Committee during 2022-23.
- 2.2 This opinion can be assessed using the following scale:
- i. “Substantial” assurance – all key controls are in place and working effectively with no exceptions or reservations. The Council has a low exposure to business risk;
 - ii. “Acceptable” assurance – all key controls in place and working effectively. There are reservations in connection with the operational effectiveness of some key controls. The Council has a low to medium exposure to business risk;
 - iii. “Limited” assurance – not all key controls are in place or are working effectively. The Council has a medium to high exposure to business risk; and
 - iv. “No” assurance – key controls are either not in place or are not working effectively. The Council has a high exposure to business risk.
- 2.3 In providing this opinion it should be noted that assurance can never be absolute. We can provide a reasonable level of assurance that there are no major weaknesses in risk management, control or governance arrangements. The matters raised in this report and our quarterly progress reports, are only those that were identified during our work. They are not necessarily a comprehensive statement of all the weaknesses that may exist or represent all the improvements required.
- 2.4 In arriving at this opinion, account has been taken of:
- i. The results of all Internal Audit work undertaken during 2022-23;
 - ii. Matters arising from the quarterly Internal Audit Progress Reports or other assurance providers to the Committee;
 - iii. The effects of any material changes in the Council's risk profile, objectives or activities;

- iv. Whether any limitations have been placed on the scope of our work; and
 - v. Whether there have been any resource constraints which may have impacted on our ability to meet the needs of the Council.
- 2.5 In all cases, Internal Audit and officers develop actions to improve the management of risk and internal control. The effective implementation of these actions will be assessed as part of our follow-up work in 2023-24 and reported to the Committee.
- 2.6 We can confirm that there has been no actual or potential impairment to our independence and objectivity during the year. Our independence is safeguarded by the Head of ARA having full and unfettered access to the Chief Executive and the Chair of the Committee.
- 2.7 Internal Audit has been free from interference in determining the scope of our work, performing it or communicating the results.
- 2.8 Internal Audit have had unfettered access to all of the Council's systems, operations, records and officers.
- 2.9 Internal Audit officers do not have any other roles in the Council.
- 2.10 The overall opinion on the internal control, governance and risk environment is based on our assessment of the key management arrangements and internal controls. This is the framework of internal controls required to provide management with confidence that the processes to achieve business objectives are:
- i. Adequate and effective for their purpose; and
 - ii. Minimise material business risk, both financial and non-financial.
- 3. Code of Ethics**
- 3.1 The PSIAS requires Internal Auditors in local government to conform to the CIIA's Code of Ethics as set out below. If individual Internal Auditors have membership of another professional body then they must also comply with the relevant requirements of that organisation.
- 3.2 The purpose of the CIIA's Code of Ethics is to promote an ethical culture in the profession of Internal Auditing. This is necessary and appropriate for the profession of Internal Auditing, founded as it is, on the trust placed in its objective assurance about risk management, control and governance.
- 3.3 The Institute's Code of Ethics includes two essential components:
- i. Principles that are relevant to the profession and practice of Internal Auditing; and
 - ii. Rules of Conduct that describe behavioural standards expected of Internal Auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of Internal Auditors.

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3.4 The components of the Code of Ethics are:

- i. Integrity – this establishes trust and thus provides the basis for reliance on the judgement of Internal Auditors;
- ii. Objectivity – Internal Auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal Auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements;
- iii. Confidentiality – Internal Auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so; and
- iv. Competency – Internal Auditors apply the knowledge, skills and experience needed in the performance of Internal Auditing services.

3.5 Internal Audit complied with the Code of Ethics and the Seven Principles of Public Life as defined by the Nolan Committee, at all times during 2022-23. The Principles are:

- i. Selflessness – holders of public office should act solely in terms of the public interest;
- ii. Integrity – holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships;
- iii. Objectivity – holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias;
- iv. Accountability – holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this;
- v. Openness – holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing;
- vi. Honesty – holders of public office should be truthful; and
- vii. Leadership – holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

4. 2022-23

4.1 Our work during 2022-23 identified areas that have not affected the overall opinion above, but which the Council should be aware of and monitor.

- 4.2 Cyber security risks are ever prevalent. The Council has invested in updating its ICT infrastructure. Once fully implemented this will enhance the Council's ICT capabilities. ICT is an area that is audited on a regular basis throughout the year by ARA, and all reports will be presented to the Committee.
- 4.3 We undertook a great deal of work in the area of grants during 2022-23. No major control issues with any grants were identified by ARA.
- 4.4 It should be noted that:
- i. The risk of fraud is ever prevalent and nationally councils remain a target. Management should ensure that risk registers continue to address this risk for their departments and services. To this end, Internal Audit regularly refresh counter fraud policies and maintain a web page to provide advice and assistance to anyone who wishes to report suspected fraud;
 - ii. Internal Audit has a dedicated Counter Fraud Team (CFT) that enhances the Council's resilience against fraud. The CFT Annual Report is included elsewhere in the agenda; and
 - iii. Risk registers should be updated with risks as they are identified, and internal controls should be developed to minimise these. Risk registers should be reviewed following the issue of an Internal Audit report. This is to ensure that any pertinent risks identified in the report are reflected in the risk register.
- 4.5 There are a number of challenges that the Council will need to be mindful of during 2023-24 and beyond.
- 4.6 Financial resilience will need to be monitored closely, in light of the challenges posed by the volatility of inflation, utility prices and interest rates. The Council continues to effectively manage its finances in order to minimise the risks from financial pressures. The risk of the Council issuing a Section 114 notice is low.
- 4.7 The recruitment and retention of staff is becoming an area of higher risk across local government. This can result in an additional workload, increasing levels of sickness, particularly from stress related issues on remaining officers and an increased reliance on temporary staff. The Council will need to monitor this issue to ensure that it has sufficient resource to successfully deliver its services.
- 4.8 Management should regularly review and update their succession plans in case an officer with knowledge of business-critical processes or systems suddenly became unavailable or left their post. This would help to minimise the risks to the delivery of the Council's services, by ensuring there is a competent replacement.
- 4.9 Management should ensure that internal controls are maintained when there are staff changes, for example sickness, annual leave or when staff leave.
- 4.10 The risk of fraud is ever prevalent and nationally councils remain a target. Management should ensure that risk registers continue to address this risk for their departments and services.

Appendix A

- 4.11 Risk registers should be updated with risks as they are identified, and internal controls should be developed to minimise these. Risk registers should be reviewed following the issue of an Internal Audit report. This is to ensure that any pertinent risks identified in the report are reflected in the risk register.
- 4.12 It should be noted that for all of the issues reported to the Committee in Internal Audit Reports, management agreed actions to address concerns raised.
- 4.13 The Strategic Leadership Team (SLT) is proactive in regularly monitoring the Council's risks. Risk management and health and safety are standing items on the SLT agenda. Any emerging risks and health and safety issues can be raised here enabling management to formulate appropriate and timely actions to manage these.

5. Conclusion

- 5.1 This report provides an independent opinion on the adequacy and effectiveness of the internal control, governance and risk management processes.
- 5.2 Management are responsible for establishing, maintaining and owning appropriate risk management, internal control and governance arrangements.
- 5.3 The Monitoring Officer has taken responsibility for producing the Council's Annual Governance Statement. This is a positive step that should be commended as it reinforces the point above, as well as the independence of Internal Audit.
- 5.4 Internal Audit plays a key role in providing independent assurance and challenge, advising the Council whether satisfactory arrangements are in place and operating effectively. Internal Audit is not the only source of assurance for the Council. There are a range of external audit and inspection agencies as well as management processes which also provide assurance. Internal Audit will prepare an Assurance MAP to highlight where assurance is received from and whether there are any gaps.
- 5.5 ARA are delighted to report that 86% of the revised Internal Audit Plan for 2022-23 was delivered, against a target of 85%.
- 5.6 Furthermore, following each Internal Audit, a customer satisfaction questionnaire is sent to the Strategic Director, Head of Service or nominated officer. This is to gauge satisfaction of the service provided such as timeliness, quality and professionalism. Officers are asked to rate the service between Excellent, Good, Fair and Poor.
- 5.7 Internal Audit have a target of 80% of questionnaire responses to be assessed as "Good" or better. For 2022-23 this target was exceeded with a score of 100% of questionnaire responses reflecting Internal Audit as being a positive support to their service.
- 5.8 The above confirm that ARA continues to provide an excellent service to the Council. Improvements to the way in which ARA will work from 2022-23 onwards are highlighted in the AGS. These changes will further enhance the service that we provide to the Council.

STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

26 SEPTEMBER 2023

| | | | | |
|--|--|-------|----------|---------------|
| Report Title | Counter Fraud Team Annual Report – 2022/23 | | | |
| Purpose of Report | To provide the Committee with an annual report on counter fraud activity in the Council, led by the Audit Risk Assurance (ARA) Counter Fraud Team. | | | |
| Decision(s) | The Committee RESOLVES to accept the progress against the Counter Fraud Annual Plan 2022/23. | | | |
| Consultation and Feedback | Counter Fraud Investigation findings and outcomes are discussed with the S151 and the Monitoring Officer | | | |
| Report Author | Piyush Fatania, Head of Audit Risk Assurance (ARA) Tel: 01452 328883 Email: piyush.fatania@gloucestershire.gov.uk | | | |
| Options | There are no alternative options that are relevant to this matter. | | | |
| Background Papers | None. | | | |
| Appendices | Appendix A: ARA Counter Fraud Team 2022-23 Annual Report | | | |
| Implications (details at the end of the report) | Financial | Legal | Equality | Environmental |
| | No | No | No | No |

1.0 INTRODUCTION/BACKGROUND

1.1 An effective Counter Fraud Team is a key part of the governance, risk management and internal control framework established by the Council. It provides independent investigation, counter fraud risk management, and fraud awareness (including training and resources) which underpins delivery of the Council's objectives and safeguards its limited resources.

2.0 MAIN POINTS

2.1 The Counter Fraud Action Plan 2022/23 summarises:

- i. The outcomes of the high level workstreams and the progress against the 2022/23 Counter Fraud Annual Plan; and
- ii. Demonstrates the Council's compliance with local government 'Annual Fraud Transparency Data' 2022-23 reporting.

2.2 This is a new report, produced by the CFT, for the Audit and Standards Committee.

3.0 CONCLUSION

3.1 The report purpose is to provide the Committee with a reasonable assurance that the ARA Counter Fraud Team is operating effectively.

4.0 IMPLICATIONS

4.1 Financial Implications

There are no financial implications arising directly from this report.

Andrew Cummings, Strategic Director of Resources

Email: andrew.cummings@stroud.gov.uk

Risk Assessment:

Failure to deliver effective governance will negatively impact on the achievement of the Council's objectives and priorities.

4.2 Legal Implications

There are no specific legal implications arising from the recommendation of the report. The Counter Fraud Team's activity supports the best use of finance, ICT, human resources and property resources. This assists the Council to minimise risk areas and thereby reduce the prospects of legal challenge.

Investigations by the Counter Fraud Team will be subject, where necessary, to legal advice or support.

Contact: One Legal

Email: legalservices@onelegal.org.uk

Tel: 01684 272021

4.3 Equality Implications

There are no equality implications arising from the recommendations made in this report.

4.4 Environmental Implications

There are no environmental implications arising from the recommendations made within this report.



ARA Counter Fraud Team 2022-23 Annual Report

August 2023

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1. Introduction

- 1.1 The Counter Fraud Team (CFT) sits within the Audit Risk Assurance (ARA) shared service. It comprises of three fully qualified counter fraud and risk management specialists.
- 1.2 This summary document details the CFT's end of year progress against high level workstreams for Stroud District Council (SDC).
- 1.3 The report covers the following areas:
- Referral and case statistics;
 - High level workstreams identified by the original plan;
 - Individual actions identified by the original plan; and
 - Annual fraud transparency data 2022-23

2. Referral and Case Statistics

- 2.1 Information recorded on the CFT's case management system (OPUS) shows that within 2022-23:

3 new referrals relating to SDC

| | |
|---|---|
| 2 | Referrals resulted at the triage stage (provision of analysis, intelligence, or controls) |
| 1 | Referrals converted into cases (full investigation under Terms of Reference) |

4 cases worked on (including carried forward from previous years)

| | |
|---|--|
| 3 | Pre-22/23 cases resulted and closed in-year |
| 1 | Case remains open under active investigation |

- 2.2 Not all investigations (for example conduct, non-compliance and ethics issues) can have an assessed value attached to them or result in the recovery of monies. CFT investigations, analytics and consultative work may add value in other ways such as providing assurance to members and residents, reducing Council vulnerabilities and mitigating risk.
- 2.3 In addition to the above, counter fraud advice and alerts are routinely provided outside of the creation of referrals and cases. 33 intelligence alerts were provided in 2022-23.

3. High Level Workstreams

2.4 High level workstreams cover the core business of the CFT. They must necessarily be the CFT's priority.

2.5 It should be noted that many of the areas marked 'completed' are repeated annually.

| Workstream | Description | Progress |
|--------------------------------|--|--|
| Corporate fraud investigations | <p>All internal staff and contractor fraud All external threats to the partners and client including procurement fraud and bribery</p> <p>In line with the CFT Case Acceptance Criteria and Matrix, and subject to an agreed Terms of Reference.</p> | <p>Completed</p> <p>See paragraph 2 above for the detailed statistics.</p> |
| Other investigations | Any referred fraud, corruption, bribery, and error investigations: for example, referred National Fraud Initiative, Right to Buy or Council Tax frauds. | Completed |
| Policy development and review | All fraud related policies, guidance, working procedures and processes. The CFT ensures that these reflect best practice and legislative requirements, whilst contributing to the overall objectives of the partner or client. | <p>Creation of a Stroud Enforcement Policy</p> <p>Internal CFT policies</p> <ul style="list-style-type: none"> - Stakeholder management plan - Communications Plan - Action Plan - FRM <p>RIPA Group participation</p> <p>Counter Fraud Strategy, Statement and Policy - minor updates</p> |

| Workstream | Description | Progress |
|-------------------------------|--|---|
| Fraud alerts and intelligence | The CFT will share targeted and relevant information about the latest fraud news, trends, risks, and mitigations. Intelligence will be gathered from the CFT's professional memberships, obtained via formal and informal networks, or accrued from other reputable public and private sector organisations. | Completed; 34 alerts and intelligence notices issued (figures to date) |
| Fraud awareness and training | The provision of annual materials and communications around International Fraud Awareness Week; delivering bespoke training presentations or workshops upon request. | Completed <ul style="list-style-type: none"> - IFAW campaigns - Counter Fraud pages on Stroud intranet - Procurement training x2 sessions - PACE Interview training x5 sessions (inc. March) - Counter Fraud Awareness - Proud of Stroud x 2 sessions - Carolyne FRM - Bill FRM - Liverpool City Council FRM liaison |
| Fraud advice and support | The CFT can contribute to every aspect of its partner and client activity, for example producing Fraud Risk Assessments, conducting data analytics, or simply providing formal or informal advice. Advice may vary between fraud risk, compliance, prevention, detection, money laundering, and other criminal activity as well as misconduct and misuse of public funds. In all cases the CFT will consider and recommend appropriate actions such as disciplinary, asset or financial recovery, internal investigation, or law enforcement referral. | Completed <ul style="list-style-type: none"> - Member of the newly formed Multi Agencies Against Fraud (MAAF) |

4. Progress against Action Plan

2.6 Action Plan items are strategic in nature and aligned to the Fighting Fraud and Corruption Locally (FFCL) 2020 strategy for local government. They represent work beyond the core business.

2.7 Key for action plan tables:

- GREEN** = completed
- AMBER** = partially completed
- RED** = not started
- WHITE** = pending

FFCL Pillar - Govern

Robust arrangements and executive support ensure anti-fraud, bribery and corruption measures are fully embedded and working.

| Area | Objective | Method | Outcome | Completion |
|---------------------------------------|---|--|---|-----------------------|
| Document CFT processes | Conduct annual review of counter fraud policies | Produce an ARA CFT Annual CF Action Plan (this document) | Plan produced, awaiting approval | Q3 |
| Counter Fraud Case Management | Review Case Management System and update | Review and improve CFT's OPUS case management system, to include more streamlined and targeted reporting into partners and clients | Not started. | Q4 |
| Stakeholder Management Plan | Clarify CFT's reporting responsibilities | Produce a Stakeholder Management Plan detailing what reporting requirements there are and to whom | Draft document completed, with CW and BJ for review | |
| Signposting | Maintain webpages and ensure referral routes are accessible | CFT are currently compiling a new CFT Intranet page for SDC. CFT will review the intranet pages for the other partners and client following this | New counter fraud intranet pages | Q4 |
| The Regulator's Code | Create an Enforcement Policy which complies with the Regulator's Code | Produce draft policy, seek agreement from all areas of SDC with enforcement powers | Overarching SDC enforcement policy | Q3 |
| Whistleblowing processes and training | Update whistleblowing processes to record and manage all reports | Design new holistic process then evolve, improve, and sign off that pilot process via working group | New whistleblowing process | Pending GCC pilot |
| Risk Management | Maintain comprehensive fraud risk registers | Update fraud risks, controls, and owners on an annual basis. This will be based upon our new Fraud Risk Management model (see below) | Fraud risk registers for each partner and client | Pending new framework |
| | Ensure fraud risk is full considered across ARA | Feed into the annual ARA Internal Audit planning process | Comprehensive annual Internal Audit Plan | Completed |

| Area | Objective | Method | Outcome | Completion |
|----------|--|---|---|------------|
| Training | Maintain the professional expertise of CFT staff | Identifying and attending relevant training courses and webinars. | Additional Fraud Risk Management training | Q4 |

FFCL Pillar - Acknowledge

Accessing and understanding fraud risks | Committing the right support to tackling fraud and corruption | Demonstrating a robust anti-fraud response | Communicating the risks to those charged with governance.

| Area | Objective | Method | Outcome | Completion |
|--------------------|---|---|---|------------|
| Fraud Awareness | Promote the Counter Fraud policies amongst all stakeholders to increase awareness | Promotion of International Fraud Awareness Week (IFAW) | | Q3 |
| | Deliver fraud awareness training amongst officers, and members | Provide a minimum of one awareness session in period. Allows both the ability to add to the zero-tolerance culture and raises the profile of the department across the councils and businesses. | | EOY |
| | Attend appropriate strategic meetings. | Identifying the most appropriate meeting(s) for CFT to attend. In conjunction with receiving feedback from other ARA Staff | Attendance at Audit Committee Meetings. | Q4 |
| External Reporting | Ensure all strategic and compliance reporting is transparent and completed on time. | Fulfil all central government reporting requirements such as Transparency Data. Contribute to industry and government consultations. Respond to FOI requests. | Compliance | Ongoing |

FFCL Pillar - Prevent

Making the best use of information and technology | Enhancing fraud controls and processes | Developing a more effective anti-fraud culture | Communicating anti-fraud activity and successes

Appendix A

| Area | Objective | Method | Outcome | Completion |
|---|--|---|--|--------------------------|
| Comms | Deliver fraud communications in line with a communications strategy under development (internal and external) | Supply suitable material to promote International Fraud Awareness Week. Supply two Counter Fraud articles per year for publication and use by partners. | CF articles supplied to Ubico and GCiC on 26/04/22 | |
| Intelligence Alerts | Issue fraud and scam alerts from reliable sources such as CIFAS and NAFN | Provide appropriate and targeted real-time fraud alerts to the relevant partners and clients. | | Ongoing |
| Fraud Risk Management | Improve the Fraud Risk Management (FRM) process undertaken by CFT on behalf of our partners and clients. | Deliver new FRM framework. Produce and approve an FRM report which sets out a new regime for FRM across each partner and client, founded on annual fraud risk assessment plans. | Report ready for Head of ARA, Shared Service Board, S151 and Monitoring Officers and Audit Committees. | Q4 |
| | Annual fraud risk assessment exercise | Develop and conduct an annual fraud risk assessment exercise per partner and client and report on findings. | | Pending new framework |
| | Ad hoc fraud risk assessments | Encourage projects, procurements, policy authors and process changes to seek out CFT input to help de-risk their workstream. | | Pending new framework |
| Control Measures | Provide an advisory service | Encourage service areas, directorates and ARA Portfolio leads to approach the CFT for advice and guidance in relation to potential irregularities, fraud risks and assistance with new procedures and processes in service areas, to mitigate fraud risks. | Data Analytics, ad hoc reports. | Ongoing |
| | Strengthen the internal control environment | Any suspected or significant controls weaknesses or fraud risks that are identified by an investigation or audit are subject to an ARA report and appropriate recommendations. ARA will follow up recommendations made in investigation reports, audit reports, data analytics work, and annual or ad hoc fraud risk assessments. | Recommendations agreed and actioned. | Ongoing |
| Risk Escalation | Ensuring that newly identified risks and control failures are communicated to people in a position to act on them. | Liaising and sharing information with ARA auditors and Risk Owners (fraud risk registers) where appropriate. | | Ongoing |
| Data Analytics | Maximise proactive investigative opportunities from internal data matching and data analytics. Provide actionable and impactful recommendations from reactive (referred) data analysis work. | Utilise internal data matching to develop more data led pro-active investigations and allow the CFT to have a greater ability to investigate and adopt a preventative measures approach. To be achieved using tools such as GBG investigate and Idea | Improvement | Ongoing |
| National Fraud Initiative (NFI) Data Matching | Maximise proactive investigative opportunities from NFI | The CFT will co-ordinate this exercise for the partners. Datasets include areas such as Direct Payments, procurement, Pensions and Payroll alongside data from the partners. | | Ongoing (biennial cycle) |

FFCL Pillar - Pursue

Prioritising fraud recovery and civil sanctions | Developing capability and capacity to deter offenders | Collaborating across geographical and sectoral boundaries | Learning lessons and closing the gaps.

| Area | Objective | Method | Outcome | Completion |
|---------------------------------|--|---|---|------------|
| Investigations | Conduct successful investigations | Investigate suspected frauds, subject to an agreed Terms of Reference. Effectively pursue fraudsters by risk assessing and reacting to all instances of internal and external fraud, corruption, or bribery. | | |
| National Fraud Initiative (NFI) | Facilitate NFI enquiries from within SDC and from external third parties | Help coordinate investigations referred to the CFT by the relevant teams processing NFI matches. | | |
| Investigation Techniques | Obtain capability to use powers under Investigatory Powers Act (IPA) 2016 | Consult with ICT to ensure that required software is added to CFT members laptops to enable access to NAFN's online IPA Application process | Ability and infrastructure to obtain communications data where appropriate for CFT investigations | Completed |
| | Increase the PACE interviewing skills of SDC officers who undertake interviews | CFT to run a one-day Interview Skills workshop with staff who conduct PACE compliant interviews under caution (IUCs) | Multiple interview skills workshops delivered. | Completed |
| Recovery | Initiate financial investigations under the Proceeds of Crime Act in relation to all frauds (where appropriate) to ensure that criminals do not profit from their actions. | CFT will engage Trading Standards Financial Investigators to assist investigations, where appropriate. Other recoveries may be made through salary sacrifice or invoicing. The debt collection team chases non-payment. | | |

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FFCL Pillar - Protect

Recognising the harm that fraud can cause to partners, clients and in the community | Protecting partners, clients and communities from fraud, bribery, corruption, and irregularity.

| Area | Objective | Method | Outcome | Completion |
|------|--|--------|---------|------------|
| All | The above actions will ensure every element of the 'protect' pillar are considered and addressed | | | |

Appendix A
Agenda Item 13

5. Local Government Transparency Return 2022-23

- 2.8 The report above covers work carried out by the CFT. The Council also has access to the services of the Counter Fraud and Enforcement Unit. The CFT reports annually on this combined counter fraud function in accordance with the Local Government Transparency Code 2015:

(7b) Local Government Transparency Code 2015**Introduction**

This Code is issued to meet the Government's desire to place more power into citizens' hands to increase democratic accountability and make it easier for local people to contribute to the local decision making process and help shape public services.

Transparency is the foundation of local accountability and the key that gives people the tools and information they need to enable them to play a bigger role in society. The availability of data can also open new markets for local business, the voluntary and community sectors and social enterprises to run services or manage public assets.

Detecting and preventing fraud (taken from Annex B of code)

Tackling fraud is an integral part of ensuring that taxpayers' money is used to protect resources for frontline services. The cost of fraud to local government was estimated within the FFCL strategy in 2020 as £2.1 billion a year although it was thought to be underestimated at the time. In 2017 the Annual Fraud Indicator produced by Crowe Clark Whitehill, in collaboration with Experian and the Centre for Counter Fraud studies at the University of Portsmouth, estimated that the true figure may be as high as £7.8bn from a total of £40.4bn for the public sector as a whole. Every pound lost to fraud is a pound not spent on supporting local communities and is money that can be better used to support the delivery of front-line services and make savings for local taxpayers.

A culture of transparency should strengthen counter-fraud controls. The Code makes it clear that fraud can thrive where decisions are not open to scrutiny and details of spending, contracts and service provision are hidden from view. Greater transparency, and the provisions in this Code, can help combat fraud.

Local authorities must annually publish the following information about their counter fraud work (as detailed for Stroud District Council) in the table overleaf:

| Question | Stroud District Council Response |
|--|---|
| Number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or CTRS Regs 2013. | 5 |
| Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud. | The Council has access to 2.7 FTE fraud investigators as part of the Counter Fraud Team (CFT) within the Audit Risk Assurance (ARA) Internal Audit shared service arrangement. Additional access to the Counter Fraud and Enforcement Unit (CFEU). |
| Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists. | The Council has access to 2.7 FTE fraud investigators as part of the ARA Internal Audit shared service arrangement. Additional access to the Counter Fraud and Enforcement Unit (CFEU). |
| Total amount spent by the authority on the investigation and prosecution of fraud. | Approximately £5,616 in staff time from ARA. Approximately £29,638 in staff time from CFEU. Staff employed by SDC unknown. |
| Total number of fraud cases investigated. | 4 investigated by ARA. 38 investigated by CFEU. |
| Total number of cases of irregularity investigated. | 4 investigated by ARA. 38 investigated by CFEU. |

2.9 In addition to the above, it is recommended that local authorities should go further than the minimum publication requirements set out above (as detailed for Stroud District Council) in the table below:

| Question | ARA | | CFEU | |
|--|--|------------------|-----------|------------------|
| | (a) Fraud | (b) Irregularity | (a) Fraud | (b) Irregularity |
| Total number of occasions on which a) fraud, and b) irregularity was identified. | 2 | 2 | 0 | 3 |
| Total monetary value of a) the fraud and b) the irregularity that was detected. | £0 | £5,895 | £0 | £2,572 |
| | (Excluding ongoing cases where value is currently not known) | | | |
| Total monetary value of a) the fraud and b) the irregularity that was recovered | £0 | £0 | £0 | £0 |
| | (Includes monies recovered in year but related to previous years. Excludes ongoing cases and recoveries not made within 2022/23) | | | |



AUDIT AND STANDARDS COMMITTEE
26 SEPTEMBER 2023
OFFICER REPORT

STRATEGIC RISK REGISTER BRIEF REPORT:

Introduction

This paper provides summary information on the key changes which have been made to the Strategic Risk Register since the last meeting of the Audit and Standards Committee

The Risk Register was also reviewed at the Corporate Governance Group on May 23rd.

In the last quarter all risks have been transferred to the new Risk and Performance system resulting in a change to their classification. All risks are now SR followed by a number reflecting the order which they were put on the system. All existing Strategic Risks have been transferred onto the new system.

Risks which have reviewed

Risks SR1 (inflation) has been reviewed after the financial closedown for 2022/23 and rescored from 12 to 9. The outturn for 2022/23 reflects an overall reduction in the General Fund equalisation reserve but by marginally less than forecast in the budget monitoring.

Inflation remains high in the general economy but it is not causing an impact on SDC services and energy costs are likely to be lower than budgeted for 2023/24.

Risk remains for the local government pay award which is not agreed at this stage. Overall score is reduced from 12 to 9 to reflect a change in status from "very likely" to "likely".

Risk SR2 (information governance) has been Re-assessed but no change to overall risk. Severity not changed even with reduction in ICO fines against public authorities (best use of public funds). Probability remains unlikely due to ongoing works and mitigations. Realistically, very unlikely to reduce the risk further. Main focus will be in improving the controls available.

Risk SR10 (Canal Project) has been fundamentally reviewed and rescored at the request of the corporate governance group. The overall score has been increased to a 9 (previously 4) to reflect the current position on the planning application and overall funding. A member update is included in the papers for consideration at Strategy and Resources Committee on July 11th.

Newly added risks

SR15 (Strike Action)

The local government pay award for 2023 has not yet been agreed nationally and Unions are consulting on industrial action. Direct strike action at SDC is not likely but it is important to record a corporate risk in recognition of the services provided by Ubico, who are also part of local government pay negotiations. Officers are working closely with Ubico to understand the risk, and appropriate controls and mitigations will be put in place as required.

Deleted Risks

None

| | |
|----------------------------|-----------------|
| REPORT SUBMITTED BY | Andrew Cummings |
| DATE | 10/07/2023 |


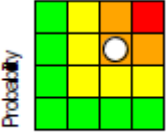


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SDC Strategic Risk Register

Cross cutting risks

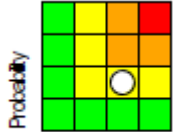
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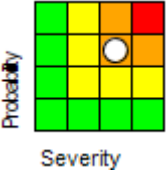

Page 253

| Status | Risk Code | Title | Assigned To | Current Risk Matrix | Probability | Severity | Risk Score | Control | Control Score | Risk Target | Latest Note |
|---|-----------|--|-----------------|--|-------------|----------|---------------------|--|---------------|-------------|---|
|  | SR1 | High levels of inflation impacting upon Council budgets and Service Delivery | Andrew Cummings |  Probability Severity | 3 | 3 | 9 | The Budget Strategy and Medium Term Financial Plan should include a medium term analysis of the level of inflation. | 1 | 4 | The outturn for 2022/23 reflects an overall reduction in the General Fund equalisation reserve but by marginally less than forecast in the budget monitoring. Inflation remains high in the general economy but it is not causing an impact on SDC services and energy costs are likely to be lower than budgeted for 2023/24. Risk remains for the local government pay award which is not agreed at this stage. Overall score is reduced from 12 to 9 to reflect a change in status from "very likely" to "likely". |
| | | | | | | | | Capital Budgets must include sufficient contingency to allow for inflation and this should be incorporated within the Budget Strategy. | 1 | | |
| | | | | | | | | HR Policies and Advertising should include details of the wider benefits of working for SDC | 1 | | |
| | | | | | | | | Proactive measures to reduce energy consumption | 1 | | |
| | | | | | | | | Effective procurement of energy contracts | 2 | | |
|  | SR2 | Information Governance Compliance - The loss of | Owen Chandler |  Probability Severity | 2 | 4 | 8 | Develop consistent Data Sharing practices and agreements | 2 | 4 | Re-assessed but no change to overall risk. Severity not changed even with reduction in |
| | | | | | | | Develop Information | 1 | | | |

Appendix A


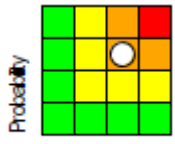
Agenda Item 14a


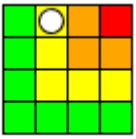

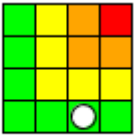
| Status | Risk Code | Title | Assigned To | Current Risk Matrix | Probability | Severity | Risk Score | Control | Control Score | Risk Target | Latest Note |
|--------|-----------|---|-----------------|--|-------------|----------|---|---|---------------|-------------|--|
| | | control of data processed by the council | | | | | | Governance Champions | | | ICO fines against public authorities (best use of public funds). Probability remains unlikely due to ongoing works and mitigations. Realistically, very unlikely to reduce the risk further. Main focus will be in improving the controls available. |
| | | | | | | | Improved insight of iGov function through improved reporting and recording of service usage, trends and feedback. | 1 | | | |
| | | | | | | | Improved retention policy compliance | 2 | | | |
| | | | | | | | Improved use of automation in council retention | 2 | | | |
| | | | | | | | Up to date and accessible Training & Guidance | 1 | | | |
| ▲ | SR3 | Failure to develop a balanced budget managing Council Priorities within available funding | Andrew Cummings |  | 2 | 3 | 6 | Develop a series of savings proposals and income generation opportunities to meet the targets in the MTFP | 1 | | |
| | | | | | | | Continue to explore the development of appropriate partnerships and efficient joint ventures | 1 | | | |
| | | | | | | | Potential to increase income through measures such as: Council Tax and fees and charges | 1 | 6 | | |
| | | | | | | | Ensure Treasury Management and Capital Strategies are aligned with targets in the MTFP | 1 | | | |
| | | | | | | | Establish and implement a public consultation strategy | 1 | | | |
| | | | | | | | Use budget monitoring to ensure that budgetary | 1 | | | |


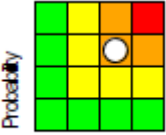

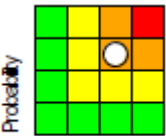
| Status | Risk Code | Title | Assigned To | Current Risk Matrix | Probability | Severity | Risk Score | Control | Control Score | Risk Target | Latest Note |
|---|-----------|---|-----------------|---|-------------|----------|------------|--|---------------------------------|-------------|-------------|
| | | | | | | | | control is maintained and income targets are monitored | | | |
|  | SR4 | Emergency planning | Keith Gerrard |  | 3 | 3 | 9 | <p>Council to identify priorities, and required resources, as part of the MTFP process</p> <p>Ensure ICT hardware and software maintained at appropriate levels</p> <p>Individual service continuity plans fit for purpose and adhered to</p> <p>Workforce plan to secure expertise to avoid service failures</p> <p>Ensure data backup system fit for purpose</p> <p>Adequate resources on hand to respond to emergencies - To include Strategic, Tactical and Operational Response</p> <p>Communication strategy to keep stakeholders informed of service availability</p> | 1 1 1 1 1 1 1 | 3 | |
|  | SR5 | The Council is required to increase its contributions to the Gloucestershire Pension Fund above the MTFP provision. | Andrew Cummings |  | 1 | 2 | 2 | <p>Ensure service redesigns or other staffing changes takes account of financial impact of changed staffing levels on pension fund contributions</p> <p>Ensure MTFP accurately reflects contribution likely to be required based upon current funding levels and future projections</p> | 1 1 | 2 | |

| Status | Risk Code | Title | Assigned To | Current Risk Matrix | Probability | Severity | Risk Score | Control | Control Score | Risk Target | Latest Note |
|--------|-----------|---|-------------|---------------------|-------------|----------|------------|--|-----------------------|-------------|--|
| | | | | | | | | Ensure Treasury Management decisions take account of investment benefits potentially available from ad hoc payments to pension fund | 1 | | |
| ▲ | SR6 | Statutory changes to waste legislation could mandate waste collection alterations. | Mike Towson | | 3 | 2 | 6 | Monitor and manage new garden waste customer requests to maximise revenue from the service. Effective management of UBICO contract. Maximise effective use of existing resources. Keeping up to date with emerging legislative changes and good practice. | 1 1 1 1 | 2 | |
| ▲ | SR7 | Difficulty in recruiting and retaining staff with the right skills, values and behaviours | Lucy Powell | | 2 | 2 | 4 | Adopt policies which promote staff development and retention, in line with the SDC people Strategy Adoption and implementation of efficient and professional recruitment policies and practices Purchase and implement HR software with effective recruitment modules Where appropriate developing partnership arrangements with other public sector partners to share risk and build capacity Transfer risk through | 2 2 2 1 2 | 2 | Scoring changed to reflect the original position on Excelsis |






| Status | Risk Code | Title | Assigned To | Current Risk Matrix | Probability | Severity | Risk Score | Control | Control Score | Risk Target | Latest Note |
|--------|-----------|--|-------------|---------------------|-------------|----------|------------|--|---------------|-------------|--|
| | | | | | | | | outsourcing if appropriate | | | |
| | | | | | | | | Review benefit package for staff, including financial and non-financial rewards measure | 1 | | |
| ▲ | SR8 | The loss of income from recycling/incentive credits and the potential for increased costs of recycle processing. | Mike Towson | | 2 | 3 | 6 | Effective management of UBICO contract. | 1 | | |
| | | | | | | | | Keeping up to date with emerging legislative changes and good practice. | 2 | | |
| | | | | | | | | To keep lines of communication open with the County Council to maximise the lead in time for any changes to payment received | 1 | 3 | |
| | | | | | | | | MRF Contract - the value of recyclates collected by the Council are determined by industry benchmarks, this may have an impact of the amount received (income) or the costs incurred of disposal | 2 | | |
| ▲ | SR9 | Low of levels of staff wellbeing and mental health | Lucy Powell | | 2 | 2 | 4 | Introduction of wellbeing champions to engage with staff across the Council to talk openly about wellbeing and working with HR, SLT and LMT to share thoughts and recommendations on staff wellbeing | 1 | | |
| | | | | | | | | Creation and promotion of a set of Corporate Values and | 1 | 1 | Scoring changed to reflect the original position on Excelsis |

| Status | Risk Code | Title | Assigned To | Current Risk Matrix | Probability | Severity | Risk Score | Control | Control Score | Risk Target | Latest Note |
|---|-----------|---|---------------------|---|-------------|----------|--|---|---------------|-------------|--|
| | | | | | | | | Behaviours to reflect the culture that we desire at SDC | | | |
| | | | | | | | | A comprehensive set of employee support tools which are also open to elected members. This is to include mental health first aiders and counselling services. | 1 | | |
| | | | | | | | | Member development group to consider development need of Councillors | 1 | | |
| | | | | | | | | Maintaining our workplace wellbeing award from Healthy Lifestyles Gloucestershire | 1 | | |
| | | | | | | | | Absence monitoring is used to track levels of mental health absences and corrective action taken where appropriate | 1 | | |
| | | | | | | | | An annual staff survey, supplemented by more regular wellbeing surveys, is used to understand the current priorities for staff and respond accordingly. | 1 | | |
|  | SR10 | Failure to deliver the canal project on time and/or to budget | Chris Mitford-Slade |  | 3 | 3 | 9 | Close monitoring at Project Team and Board level of all expenditure and forecast costs to completion | 1 | 2 | Risk updated to reflect current position with regards to planning approval |
| | | | | | | | Seeking additional funding from partners and through | 1 | | | |

| Status | Risk Code | Title | Assigned To | Current Risk Matrix | Probability | Severity | Risk Score | Control | Control Score | Risk Target | Latest Note |
|---|-----------|--|-----------------|---|-------------|----------|------------|--|---------------|-------------|-------------|
| | | | | | | | | NLHF and fund-raising, for any identified funding gaps | | | |
| | | | | | | | | Agreeing extensions of time for project completion with NLHF and project partners as required, in light of delays caused by Covid-19, cost inflation and other external factors outside local control. | 1 | | |
| | | | | | | | | Continued effort to secure required consents and land (or options to secure land). | 1 | | |
| | | | | | | | | All project partners and NLHF kept closely informed and ready to act in the event that any of the identified triggers materialise | 1 | | |
|  | SR11 | Government white paper on levelling up results in changes to local government structure or funding | Andrew Cummings |  | 4 | 2 | 8 | Assess impact of White Paper and work with neighbouring authorities | 2 | | |
| | | | | | | | | Active engagement with Gloucestershire County Council as they work towards their proposal for a County Deal | 2 | 3 | |
| | | | | | | | | Medium Term Financial Planning process to include financial implications of levelling as they become known | 2 | | |
|  | SR12 | Failure of SDC to play its full part in delivering the | Rachel Brain |  | 1 | 3 | 3 | Monitoring to highlight areas where further/priority action needs to be taken | 1 | 1 | |
| | | | | | | | | Effective community and | 1 | | |

| Status | Risk Code | Title | Assigned To | Current Risk Matrix | Probability | Severity | Risk Score | Control | Control Score | Risk Target | Latest Note |
|---|-----------|---|---------------|---|-------------|----------|--|---|---------------|-------------|-------------|
| | | ambitions set out in the 2030 strategy, to tackle the climate and ecological emergency and to do all in our power to become a carbon neutral district by 2030 | | | | | | partnership governance in place to drive 2030 strategy ambitions, including a community engagement board at district level and Climate Leadership Gloucestershire at county level | | | |
| | | | | | | | | Effective co-ordination of SDC's own actions as a leader by example to tackle the climate and ecological emergency | 1 | | |
| | | | | | | | | Effective monitoring and public scrutiny and reporting of progress towards 2030 ambitions | 1 | | |
|  | SR13 | Successful cyber attack on the Council | Adrian Blick |  | 3 | 3 | 9 | Education of SDC network users | 2 | 6 | |
| | | | | | | | Protecting SDC from penetration | 2 | | | |
| | | | | | | | Reducing the extent of lateral movement across the SDC IT estate should a hack occur | 2 | | | |
| | | | | | | | Purchase cyber insurance to partially cover costs of any successful cyber breach | 2 | | | |
|  | SR14 | Business Continuity | Keith Gerrard |  | 3 | 3 | 9 | A complete review of business continuity is being undertaken. | 2 | 3 | |
| | | | | | | | Development of business continuity plans for all services | 2 | | | |

| Status | Risk Code | Title | Assigned To | Current Risk Matrix | Probability | Severity | Risk Score | Control | Control Score | Risk Target | Latest Note |
|---|-----------|------------------------|---------------|--|-------------|----------|------------|--|---------------|-------------|---|
| | | | | | | | | Creation of a comprehensive corporate recovery plan. | 2 | | |
|  | SR15 | Strike action by Ubico | Keith Gerrard |  Probability Severity | 3 | 3 | 9 | | | | There is a risk that Ubico will take part in strike action adversely impacting upon our waste collection services |

| Risk Status | |
|---|-----------|
|  | Alert |
|  | High Risk |
|  | Warning |
|  | OK |
|  | Unknown |

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STROUD DISTRICT COUNCIL
AUDIT & STANDARDS COMMITTEE

26 SEPTEMBER 2023

WORK PROGRAMME

| Meeting Date | Report Description | Responsible Officer / Member |
|---------------------|---|---|
| 28 November 2023 | Internal Audit Progress Report | Chief Internal Auditor |
| | Half-Year Treasury management | Principal Accountant |
| | Annual Audit Letter | Deloitte |
| | Statement of Accounts | Principal Accountant |
| | Counter Fraud and Enforcement Unit Update | Head of Service, (CFEU) |
| | Standing Items: a) Corporate Risk Register Update b) To consider the work programme | Strategic Director of Resources Democratic Services |
| 30 January 2024 | Internal Audit Progress Report | Chief Internal Auditor |
| | Treasury Management Q3 Report | Principal Accountant |
| | Annual Governance Update | Chief Internal Auditor |
| | Treasury Management Strategy | Principal Accountant |
| | Standing Items: a) Corporate Risk Register Update b) To consider the work programme | Strategic Director of Resources Democratic Services |
| | | |
| 16 April 2024 | Internal Audit Progress Report | Chief Internal Auditor |
| | Counter Fraud Unit Update and Annual RIPA/IPA Update | Head of Service, (CFEU) |
| | Draft Internal Audit Plan 2024/25 | Chief Internal Auditor |
| | Standing Items: a) Corporate Risk Register Update b) To consider the work programme | Strategic Director of Resources Democratic Services |
| | | |
| XX July 2024 | Internal Audit Progress Report | Chief Internal Auditor |
| | Annual Governance Statement Update | Monitoring Officer |
| | Treasury Management Outturn 2023/24 | Principal Accountant |
| | External Audit Plan | Deloitte |
| | Unaudited Statement of Accounts 2023/24 | Principal Accountant |
| | Annual Report 2023/24 | Chief Internal Auditor |
| | Annual Report of the Chair | Chair |
| | Standing Items: a) Corporate Risk Register Update b) To consider the work programme | Strategic Director of Resources Democratic Services |
| XX September 2024 | Internal Audit Progress Report | Chief Internal Auditor |
| | Treasury Management Q1 Report | Principal Accountant |
| | Annual Report 2023/24 | Chief Internal Auditor |
| | Corporate Care Standards Performance Update | Community Access & Engagement Manager |
| | Standing Items: a) Corporate Risk Register Update b) To consider the work programme | Strategic Director of Resources Democratic Services |
| | | |

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STROUD DISTRICT COUNCIL

AUDIT AND STANDARDS COMMITTEE

26 SEPTEMBER 2023

| | | | | |
|--|---|-------|----------|---------------|
| Report Title | Internal Audit Activity Progress Report 2023-24 | | | |
| Purpose of Report | To inform Members of the Internal Audit activity progress in relation to the approved Internal Audit Plan 2023-24. | | | |
| Decision(s) | The Committee RESOLVES to: i. Accept the progress against the Internal Audit Plan 2023-24; and ii. Accept the assurance opinions provided in relation to the effectiveness of the Council’s control environment (comprising risk management, control and governance arrangements). | | | |
| Consultation and Feedback | Internal Audit findings are discussed with Service Heads and Managers. Management responses to recommendations are included in each assignment report. | | | |
| Report Author | Piyush Fatania, Head of Audit Risk Assurance (ARA) Tel: 01452 328883 Email: piyush.fatania@gloucestershire.gov.uk | | | |
| Options | There are no alternative options that are relevant to this matter. | | | |
| Background Papers | None. | | | |
| Appendices | Appendix A: Internal Audit Activity Progress Report 2023-24 Appendix A - Attachment 1: Internal Audit Activity Progress Report Appendix B: Exempt | | | |
| Implications (details at the end of the report) | Financial | Legal | Equality | Environmental |
| | No | No | No | No |

1.0 INTRODUCTION/BACKGROUND

- 1.1 Members agreed the Stroud District Council [Internal Audit Plan 2023-24](#) on 18th April 2023.
- 1.2 In accordance with the [Public Sector Internal Audit Standards \(PSIAS\) 2017](#), this report details the outcomes of Internal Audit work carried out in accordance with the agreed Plan.

2.0 MAIN POINTS

- 2.1 The Internal Audit Activity Progress Report 2023-24 at **Appendix A** summarises:
- i. The progress against the Internal Audit Plan 2023-24;
 - ii. The outcomes of the 2023-24 Internal Audit activity delivered up to August 2023; and
 - iii. Special investigations and counter fraud activity.

2.2 The report is the first report in relation to the Internal Audit Plan 2023-24.

3.0 CONCLUSION

3.1 The report purpose is to inform the Committee of Internal Audit work undertaken to date, and the assurances given on the adequacy and effectiveness of the Council's control environment. Completion of the Internal Audit Activity Progress Reports ensures compliance with the PSIAS, the [Council Constitution](#) and [the Audit and Standards Committee Terms of Reference](#).

4.0 IMPLICATIONS

4.1 Financial Implications

There are no financial implications arising directly from this report.

Andrew Cummings, Strategic Director of Resources
Email: andrew.cummings@stroud.gov.uk

Risk Assessment:

Failure to deliver effective governance will negatively impact on the achievement of the Council's objectives and priorities.

4.2 Legal Implications

There are no specific legal implications arising from the recommendations of the report.

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

Contact: One Legal
Tel: 01684 272012 Email: legalservices@onelegal.org.uk

4.3 Equality Implications

There are no equality implications arising from the recommendations made in this report.

4.4 Environmental Implications

There are no environmental implications arising from the recommendations made within this report.



PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

SEPTEMBER 2023

Appendix A

1. Introduction

- 1.1 The Council's Internal Audit service is provided by Audit Risk Assurance (ARA) under a Shared Service agreement between Gloucestershire County Council, Stroud District Council and Gloucester City Council.
- 1.2 ARA provides these services in accordance with the Public Sector Internal Audit Standards 2017 (PSIAS) which represent the "proper Internal Audit practices". The standards define the way in which the Internal Audit service should be established and undertake its operations.
- 1.3 In accordance with the PSIAS, the Head of Internal Audit is required to regularly provide progress reports on Internal Audit activity to management and the Audit and Standards Committee. This report summarises:
 - i. The progress against the Internal Audit Plan 2023-24;
 - ii. The outcomes of the 2023-24 Internal Audit activity delivered up to August 2023; and
 - iii. Special investigations and counter fraud activity.
- 1.4 Internal Audit plays a key role in providing independent assurance and advice to the Council that these arrangements are in place and operating effectively. However, it should be emphasised that management are responsible for establishing and maintaining appropriate risk management processes, control systems (financial and non-financial) and governance arrangements.
- 1.5 The following Assurance criteria are applied to Internal Audit reports:
 - i. Substantial assurance – all key controls are in place and working effectively with no exceptions or reservations. The Council has a low exposure to business risk;
 - ii. Acceptable assurance – all key controls are in place and working but there are some reservations in connection with the operational effectiveness of some key controls. The Council has a low to medium exposure to business risk;
 - iii. Limited assurance – not all key controls are in place or are working effectively. The Council has a medium to high exposure to business risk; and
 - iv. No assurance – no key controls are in place, or no key controls are working effectively. The Council has a high exposure to business risk.

2. Summary of 2023-24 Internal Audit work delivered up to August 2023

| Audit | Assurance Level | Supporting Paragraph |
|---|-----------------|----------------------|
| Cleaner Estates Strategy | Limited | 2.1 |
| Leisure Facilities Inventories – The Pulse | Limited | 2.2 |
| Biodiversity Net Gain Grant | Acceptable | 2.3 |
| Damp and Mould Social Housing | Acceptable | 2.4 |
| Sustainable Warmth Grants | Acceptable | 2.5 |
| Voids Follow Up | Substantial | 2.6 |
| Covid-19 Business Grants Post-Payment Assurance | Substantial | 2.7 |
| Decarbonisation Wave One Grant | Substantial | 2.8 |
| Home Upgrade Grant | Substantial | 2.9 |
| Fit for the Future | Substantial | 2.10 |
| Treasury Management and Ethical Investment Policy | Substantial | 2.11 |
| Council Tax Energy Support Grant | Substantial | 2.12 |
| Planning Enforcement Consultancy | No opinion | 2.13 |
| Inventories – Stratford Park Leisure Centre | EXEMPT | |

2.1 Activity Name: Cleaner Estates Strategy

- i. Assurance Level for this report: Limited; and
- ii. Recommendations arising from this review have been prioritised as:

| | |
|------------------|---|
| High Priority: | 3 |
| Medium Priority: | 1 |
| Low Priority: | 0 |
| Rejected: | 0 |

2.1.1 **Scope** - this audit reviewed whether associated risks and mitigating controls are identified and managed; and that the Action Plan incorporates key activities that will address each of the Strategy's four objectives.

2.1.2 Key Findings

- i. The inherent or other risks associated with the Cleaner Estates Strategy have not been identified or evaluated either within the Council's corporate risk register (Excelsis) or in an offline project risk register.

Risk: Failure to deliver the Strategy. Damage to the Council's reputation.

Recommendation: The Responsible Officer should update Excelsis to ensure that significant inherent risks for the Cleaner Estates Strategy are identified, evaluated, and managed to within the Council's risk appetite. Identified risks are then monitored and reported in line with the Council's Risk Management Policy Statement and Strategy.

Appendix A

- ii. The Action Plan format has been revised, and as part of the revision now includes a red, amber, green (RAG) rating for each action. This aids identification of actions progressing well (green), not so well (amber) and not progressing at all (red). There are currently six green, three amber and five red actions. The red actions are:
 - a. Regeneration Projects;
 - b. Define and agree cleaning service standards;
 - c. Condition of gardens;
 - d. Bike Storage or other storage facilities; and
 - e. Nouncells Cross laundry areas.
- iii. Internal Audit's view of the revised Action Plan is that it is not as robust as the original. This is due to actions no longer being timebound and the progress for each action is not documented. In addition, not all actions in the adopted Action Plan feature within the revised version. The Housing Manager advised Internal Audit that this was due to four of the original actions being amalgamated. The other three actions had not been included as these could not be progressed currently due to lack of financial and human resource. Details are as follows:

Amalgamated Actions:

- a. Ward Member Insight, and Own and Parish Council Insight actions – These will be covered as part of the Estate Walkabout action;
- b. Resident communication and reinforcement of consistent messages action – This will be actioned at the four times a year Tenant Engagement Café Conversations activity;
- c. Bulky items (incl. white goods) pilot programme to encourage engagement with the existing system or residents propose alternatives action – will be part of the 'Love where you Live' events; and
- d. Set up a governance board on cleaning standards action – will be considered as part of the depooling service charge project.

Actions with no resource due to cost and staff time:

- a. Investigate the use of Community Protection Notices;
- b. Cleaning of communal bins; and
- c. Offer garden waste collections.

Risk: Lack of transparency on action progress and therefore the Strategy as a whole. The Strategy outcomes may not be achieved. Damage to the Council's reputation.

Recommendation: The Action Plan should be updated to include:

- a. How each action will be measured to ensure it is successfully achieved;
 - b. The addition of a Review Date column;
 - c. The current progress of all actions (as originally adopted); and
 - b. Any known barriers and their solutions
- iv. There is no written framework that outlines the expectation for monitoring and reporting the progress of the agreed actions. It is evident from discussions held with the Housing Manager that she is very knowledgeable of the progress and status for each action;

Risk: Lack of transparency on action progress and therefore the Strategy as a whole.

Recommendation: The Responsible Officer to produce a written framework that outlines the expectation for monitoring and reporting upon the progress of the agreed actions.

2.2 Leisure Facilities Inventories – The Pulse (Service Area: Communities)

iii. Assurance Level for this report: Limited;

iv. Recommendations arising from this review have been prioritised as:

| | |
|------------------|---|
| High Priority: | 1 |
| Medium Priority: | 4 |
| Low Priority: | 0 |
| Rejected: | 0 |

2.2.1 **Scope** - this audit reviewed the effectiveness of the arrangements for management of the moveable assets at The Pulse. It further examined whether the associated risks are captured in the risk registers and monitored by management.

2.2.2 Key Findings

i. There is no evidence that the Contract and Procurement Procedure Rules (CPPRs) are being followed and value for money is being achieved when purchasing;

Risk: Public money not used effectively. This could impact service provision and cause reputational damage.

Recommendation: Officers should follow the CPPRs for every purchase unless an exemption has been granted. Management have agreed that evidence will be recorded with immediate effect and saved according to the retention policy;

ii. The Council's Performance and Risk Management System has not been updated regularly and does not address the risks in detail with accompanying controls;

Risk: Financial loss, health and safety risk, and reputational damage. This could also affect service provision.

Recommendation: The Council's Performance and Risk Management System must be updated regularly. Management agreed that this will include risks relating to the management of inventory and accompanying controls. Target date: August 2023;

iii. There is a current up to date asset register. Internal Audit performed a verification test and physical check for a sample of assets. No discrepancies were found except three laptops stored on site were not included. Management have agreed to add these to the asset register.

iv. The Head of Service stated that up until Covid, the asset register was being updated and signed off quarterly. However, only an electronic asset register from 2017 could be provided to Internal Audit as evidence.

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- v. The Financial Regulations state that service areas must maintain a register of moveable assets. This must be in accordance with arrangements defined by the Strategic Director of Resources. This has not been set out. As a result, there is no guidance on what should be recorded and how this should be done.

On occasion, due to the current asset register layout it is hard to understand total quantities of items. Values are on occasion listed even though this is not required but they do not align to the purchase price. Movement of assets to other sites happens on occasion but is not recorded as it is not required. Entries for assets that were not on site at the time of completing the asset register were deleted from the record. There should be a requirement for all discrepancies to be investigated.

The Financial Regulations state that assets should appropriately marked as Council property. This is not completed for most moveable assets. However, the regulations should be reconsidered to include an assessment of the associated risks. This would then ensure that the most valuable, portable, and attractive assets are managed as priority.

A recommendation to provide this guidance has been agreed within the Stratford Park Leisure Centre report.

- vi. Although Officers conferred with ICT before making ICT related purchases as expected, it was noted that there is no requirement within the CPPRs for service areas to do so;

Risk: Not achieving value for money leading to financial and reputational damage. Incompatibility with Council systems. Data breaches and security risk.

Recommendation: The CPPRs will be updated at the next policy review to include the requirement for service areas to consult with the ICT prior to proceeding with ICT related procurement. Target date: March 2024.

2.3 Activity Name: Biodiversity Net Gain Grant

- i. Assurance Level for this report: Acceptable; and
- ii. There were no recommendations arising from this review.

2.3.1 **Scope** – The aim of the audit was to provide assurance that, in all significant respects, the conditions of the relevant Grant Determination has been complied with.

2.3.2 Key Findings

- i. The Department for Environment, Food and Rural Affairs (DEFRA) have awarded the Council a grant allocation under section 31 of the Local Government Act 2003 for 2022-23 totalling £26,807.
- ii. The grant determination letter states that assistance is available for preparation, adjustment of existing processes in the transitional period up to November 2023. From this point forward the 10% Biodiversity gain is a minimum and mandatory for developments.

- iii. The Biodiversity project costs incurred in 2022-23, are limited to staff employment costs.
- iv. In 2022-23, the Biodiversity team have contributed to various environmental stakeholder groups in the County, seeking to prepare, plan and identify how developments can incorporate Biodiversity in schemes.
- v. In addition, officer hours were associated with the Council's (Environmental) Local Plan and planning applications, including Biodiversity Net Gains.
- vi. The project report provided by the Strategic Lead, Nature Recovery and Biodiversity, was reviewed for its accuracy, and then corroborated with financial records.
- vii. The audit review concluded that the 2022-23 project expenditure totalling £25,080, was fairly stated. Using DEFRA guidance, the unspent grant allocation of £1,727 can be carried forward into 2023-24 if the funding is paid to the Council prior to 31st March 2023.
- viii. The grant submission and declaration signed by the Chief Executive and Chief Internal Auditor, successfully met the earlier, revised DEFRA deadline.
- ix. Subsequent audit testing confirmed that DEFRA paid the 2022-23 grant of £26,807 on 30th March 2023.

2.4 Damp and Mould Social Housing (Service Area: Housing)

- i. Assurance Level for this report: Acceptable;
- ii. Recommendations arising from this review have been prioritised as:

| | |
|------------------|---|
| High Priority: | 0 |
| Medium Priority: | 7 |
| Low Priority: | 0 |
| Rejected: | 0 |

- 2.4.1 **Scope** – Internal Audit were invited to provide their early input into the future approach for condensation, damp, and mould. The primary audit objective being to identify potential updates to the existing control environment and processes.

2.4.2 Key Findings

- i. A draft future process map has been created and updates were suggested to improve documentation of this.

Risk: An incomplete process map means that not all key procedures and controls are included.

Recommendation: The indicative time targets for all stages should be added to the process map. Add inspection controls for legislation and regulation compliance. Consider business feasibility of a specific e-mail address to report incidents. Evaluate file structure for the SharePoint application. Target date by: 30th September 2023.

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- ii. The draft Condensation, Damp and Mould Policy was reviewed with the objective of considering whether it fully communicated its future intentions.

Risk: An unclear and incomplete approach in dealing with damp and mould cases.

Recommendation: Update the draft Policy sections- i) introduction; ii Council Service Standards; iii) related documents and legislation; and iv) appendix. Target date by: 30th September 2023.

- iii. The draft monitoring framework due to come into effect from October 2023 was reviewed to consider its suitability.

Risk: Essential performance measures are omitted.

Recommendation: Add the number of reported cases by tenants and complaints subsequently resolved, to the draft monitoring framework. Target date by: 1st December 2023.

- iv. A detailed draft action plan for the period up to 31st March 2024 was provided for Internal Audit to evaluate, which omitted including leaseholders.

Risk: Not recognising the need to communicate with leaseholders in areas of mixed housing provision.

Recommendation: In the action plan include a tailored set of procedures for interaction with leaseholders. Target date by: 30th September 2023.

- v. The Housing Ombudsman October 2021 report “Spotlight on Damp and Mould” identified 26 recommendations which social landlords should implement. The review of the draft action plan up to 31st March 2024, provides Acceptable Assurance that all 26 recommendations are being implemented.

- vi. Included within the action plan there is a recognition that tailored staff training needs to be provided to the different levels. Review of the future training details identified a gap in identifying the trainer’s name responsible for the in-house operatives.

Risk: Staff responsibility for training the in-house operatives is not clearly defined in the action plan.

Recommendation: The member of Housing Staff responsible for future in-house operative training for damp and mould needs to be agreed together with timescales and included in the action plan. Target date by: 15th September 2023.

- vii. The draft risk assessment matrix to be used for categorising Condensation, Damp and Mould cases, was looked at with the objective of considering if any suggestions could be provided.

Risk: In the draft risk assessment matrix, aftercare process is inadequately documented.

Recommendation: For future cases given a critical and high risk rating, always obtain an aftercare written inspection report with supporting evidence confirming

incident resolution. For future cases given a medium and low risk rating contacted as part of aftercare, ideally obtain photographic evidence that the damp and mould incident is resolved. Target date by: 30th October 2023.

- viii. An examination of documentation for a sample of repairs that were undertaken in 2023 found that the works could not be confirmed as meeting approved quality standards.

Risk: Repairs completed do not meet quality standards.

Recommendation: For damp and mould repair cases, obtain a certificate that the repairs have been completed in compliance with industry standards or vocational qualification “Understanding and prevention of damp and mould”. Target date by: 30th September 2023.

2.5 Activity Name - Sustainable Warmth Grants (Service Area: Private Sector Housing)

- i. Assurance Level for this report: Acceptable;
- ii. No recommendations arose from this review.

2.5.1 **Scope** – The aim of the audit was to provide assurance that, in all significant respects, the conditions of the relevant Grant Determinations has been complied with.

2.5.2 Key Findings

- i. The Sustainable Warmth project provided grant funding to improve low energy performance to private sector lower income households. The main purpose of the project was to raise the efficiency of low Energy Performance Certificate (EPC) homes (those with D, E, F or G).
- ii. The project supported energy efficiency measures and low carbon heating for non-gas and on-gas homes, with the aim of upgrading homes to a rating of EPC C.
- iii. The Council were the lead authority for a consortium of second tier Gloucestershire councils, which were successful in receiving grant funding.
- iv. The grant allocations were £4.2m off-gas and £1.03m on-gas from the Department for Energy Security and Net Zero (DESNZ).
- v. The Memorandum of Understanding between the Council with DESNZ, provided the detailed arrangements to administer the grant.
- vi. The monthly reporting process to DESNZ was reviewed, and the content was found to be comprehensive and overall performance was clearly documented.
- vii. Project reporting to the Housing Committee is essential, because included in the Council’s strategic plan up to 2026 is a priority to enhance the environment and address the challenges of Climate Change.
- viii. Internal Audit review of recent Housing Committee meeting minutes verified that relevant project information had been reported on a timely basis.

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- ix. The Council used the services of the Severn Wye Energy Agency (SWEA) to administer and manage the Sustainable Warmth project. SWEA manage the end-to-end grant process from application through to Trustmark registration of the installed property measures.
- x. A sample of 13 grant applications were chosen with the objective of verifying the procedures and controls employed, to assess compliance with the Memorandum of Understanding.
- xi. The sample of 13 grant applications were eligible, accepted and progressed through the subsequent installation process. The 13 installations resulted in grant awards totalling £133,770. Appropriate audit assurance was obtained that the Memorandum of Understanding had been complied with.
- xii. The number of applications from off-gas households has been lower than forecast. Due to the lower demand, return of unused grant to DESNZ is applicable and will be returned after the project closure date 30th September 2023.
- xiii. Internal Audit reviewed the 2nd line of defence financial reconciliation statement as at mid-August 2023 using transaction reports from the Unit 4 system. The financial reconciliation review confirmed that the indicative grant refund had been correctly reconciled and was accurate.
- xiv. A process is confirmed in place for the financial reconciliation statement to be updated as of 30th September 2023.

2.6 Activity Name: Voids Follow Up (Service Area: Communities)

- i. Assurance Level for this report: Substantial; and
- ii. Recommendations arising from this review have been prioritised as:

| | |
|------------------|---|
| High Priority: | 0 |
| Medium Priority: | 2 |
| Low Priority: | 2 |
| Rejected: | 0 |

2.6.1 Scope - An audit of Voids Management was undertaken by Internal Audit during 2020-21. As part of the 2022-23 Internal Audit Plan, a follow-up audit was undertaken to review the progress on implementing the recommendations which were agreed with management in the aforementioned report.

2.6.2 Key Findings:

- i. This follow up review was carried out in May 2023.
- ii. A total of 20 recommendations were made in the final report following the 2020-21 review. Of these, 18 recommendations have been fully implemented. One, relating to the risk register, has been partially implemented. For the one that has not been implemented it was established for this matter, there is no longer a control weakness to address.

- iii. The new Head of Assets and Investment (Council Housing) has identified that the service risk register needs a full refresh and updating. Whilst the register was updated for mould risks in January 2023, review of the risk register shows some outdated risks still live, and high risks related to covid. There is also one risk that relates to the Housing Revenue Account which is not a service risk.

Risk: Inherent risks are not fully identified, managed, and monitored in line with the Council's Risk Management Policy Statement and Strategy.

Recommendation: It is recommended that the planned review and updating of the service risk register is completed by the end of Quarter 2 of 2023-24. Entries should be made within the Council's Performance and Risk Management System. Target date: 30th September 2023.

- iv. With regards to key handling, the matter raised was addressed through key handling being set out in the voids process map. However, there is scope to improve service efficiency with regards to key handling. Particularly in terms of freeing the Operations Manager from routine key handling so this management post can focus more time on delivering further reductions in void periods.

Risk: Inefficiencies in the key handling process. Human resource is not being used to its optimum.

Recommendation: The key handling processes and use of key safe should be formally reviewed in Quarter 2 of 2023-24. The review should consider changes needed to deliver improvements in performance and remove management staff input into routine administrative processes. Target date: 30th September 2023.

2.7 Covid-19 Business Grants Post-Payment Assurance (PPA) Tranche 2 Review

- i. Assurance Level for this report: Substantial; and
- ii. Internal Audit has not made any recommendations for retrospective action to be taken on these grants.

- 2.7.1 **Scope** - this audit reviewed the Council's response to queries raised under the "tranche one" Covid-19 Business Grants PPA audit in November 2022. It gives an overarching audit opinion covering SDC's administration of three discrete grants: the Restart Grant, Additional Restrictions Grant and Omicron Grant.

A data analytics-led approach enabled Internal Audit to review and raise queries on the whole grant datasets. Internal Audit evaluated queries by open source investigation and counter fraud tooling such as GBG Investigate, a secure system which aggregates (and allows subscribers to search) UK citizen and customer data. All unresolved queries were then referred to the Revenue and Benefits Manager for internal review and response.

No further grant payments have been made since the November 2022 report was issued.

2.7.2 Key Findings

- i. The Revenue and Benefits Team which administered these grants should be commended for the controls it devised and applied to them. These included processing guidance, 'Spotlight' banking checks and National Fraud Initiative data matching checks designed to identify risk; and 'manual payment' checks intended to resolve incorrect, incomplete, or suspicious applications.
- ii. The Revenue and Benefits Manager has assessed those queries referred by Internal Audit against internal systems, correspondence and documentation. All but two queries were satisfactorily resolved:
 - **Major query** (probable non-compliance or fraud). This grant award was confirmed to be non-compliant with grant criteria: paid while the recipient was subject to strike-off action at Companies House. However, the action was later discontinued, and the company remains trading to date. There is no ongoing risk around this payment, no fraud, no loss to the Council or to HM Treasury and no action is required.
 - **Minor query** (possible non-compliance or fraud). This query was not able to be resolved within the timeframe of this report. It relates to a grant award paid to an individual who did not reside in Gloucestershire before, during or since the pandemic. This query is not high value and is not assessed by Internal Audit to be a high likelihood of fraud. Internal Audit will continue to await a response and the outcomes will be reported to ASC if found to be fraudulent.

2.8 Activity Name: Decarbonisation Wave One Grant (Service Area: Place)

- i. Assurance Level for this report: Substantial; and
- ii. Recommendations arising from this review have been prioritised as:

| | |
|------------------|---|
| High Priority: | 0 |
| Medium Priority: | 1 |
| Low Priority: | 0 |
| Rejected: | 0 |

2.8.1 **Scope** – The aim of the audit was to provide assurance that, in all significant respects, the conditions of the relevant Grant Determination has been complied with.

2.8.2 Key Findings

- i. Stroud District Council are the lead authority in a Gloucestershire wide scheme which seeks to improve the energy performance of social housing properties. Grant funding totalling £3.4m was provided by the Department for Energy Security and Net Zero (DESNZ). The Council's grant is £1.8m to be used on improvement measures such as cavity wall, loft, and external wall insulation.
- ii. The Council entered into Consortium agreement with Cheltenham Borough Council, Two Rivers Housing and Gloucester City Homes on 23rd February 2023. The Consortium agreement details the arrangements for administering the grant award.

- iii. The service risk “Failure to deliver the Wave One programme” has been correctly recognised, assessed, with a comprehensive set of mitigating controls are evidenced in the Pentana risk register. Testing of the mitigating controls in place confirmed they are operating correctly as illustrated below.
- iv. The reporting requirements to DESNZ were reviewed with the objective of assessing compliance with the requirements as set out in the Memorandum of Understanding (MOU). Reporting was made in line with date deadlines and the report content correctly met DESNZ’s expectations.
- v. The Council’s budgetary control procedures for the project was inspected with the objective of assessing the management arrangements in place. The MOU with DESNZ requires the Council to provide one third funding to supplement the £1.8m grant. The evidence reviewed as at March 2023 year end, verified that:
 - a. Actual Wave One project expenditure was correctly “ring fenced” to a designated cost centre and subjective expenditure code; and
 - b. The £2.4m budget carry forward into 2023/24 had been correctly calculated.
- vi. Paragraph 18 of the MOU requires administration and ancillary costs to be less than 15% of the total budget. The March 2023 report to DESNZ, confirmed that the Consortium cumulative actual administration and ancillary costs were below the 15% threshold.
- vii. The management arrangements in place to inform senior Housing and Communities staff of the project’s progress was considered. The findings established that “high level” project reporting was provided in April 2023, and the frequency for updates is quarterly. The reporting procedure in place provides oversight for the second line of defence monitoring controls expected for this key project.
- viii. DESNZ appointed a monitoring officer from Sula Innovation Ltd for the Consortium project. The monitoring officer’s role is to oversee the Wave One project progress and identify any actions which are required of the Consortium members. It was confirmed that the monthly monitoring meetings are correctly taking place, with actions identified so that project milestones can be completed.
- ix. A walkthrough test for one Council property using the procedures and controls in place for the end-to-end installation process was completed. The evidence reviewed confirmed that:
 - a. The actual process used was compliant with the guidance contained in the MOU issued by DESNZ; and
 - b. The inspection and assessment of the installation was successfully found to be compliant with Regulation 20 of the Building Regulations 2010.
- x. Enquiries were made with DESNZ to understand if there are any Consortium post programme evaluation procedures to be completed. DESNZ confirmed that post programme evaluation is likely to be limited to a survey sent to tenants who have agreed to take part. In preparation for providing DESNZ with Consortium tenant contact details for those willing to take part in the survey, a monitoring control record should be created and regularly updated.

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Risk: No guidance issued from DESNZ for the reporting requirements for the post programme evaluation.

Recommendation: Implement a procedure to create a first line of defence monitoring control record, which will detail Consortium social housing tenants whose residential homes have benefitted from Wave One measures installed. The record should highlight those tenants who have agreed to participate in a post project evaluation survey to be devised by DESNZ. Target date: 31st August 2023.

- xi. Sample testing to assess, validate, monitor, and authorise the contractor applications for payment provided Substantial Assurance that embedded controls are in place which are operating correctly. The sampled works completed totalling £312k was confirmed, all for eligible expenditure as designated in the MOU with DESNZ.

2.9 Activity Name: Home Upgrade Grant two (Service Area: Place)

- i. Assurance Level for this report: Substantial; and
- ii. There were no recommendations arising from this review.

2.9.1 Scope – The aim of the audit was to provide assurance that, in all significant respects, the conditions of the relevant Grant Determination has been complied with.

2.9.2 Key Findings

- i. The Council are acting as lead local authority partnering with other second tier authorities in Gloucestershire, for the Home Upgrade Grant two (HUG 2).
- ii. The grant is provided by the Department for Energy Security and Net Zero (DESNZ). HUG 2 is an opportunity for local authorities to apply for grant funding to provide energy efficiency and low carbon heating upgrades to private sector low-income households with off gas grid homes.
- iii. DESNZ have awarded the Council a mobilisation payment grant allocation of £30,000. The mobilisation grant allocation can be used for administration and ancillary costs that are necessary ahead of retrofitting homes with energy efficiency measures. Severn Wye Energy Agency (SWEA) are project managing the utilisation of the mobilisation grant.
- iv. SWEA provided details of the mobilisation payment actual cumulative expenditure incurred up to 31st May 2023, which totalled £25,332.
- v. DESNZ issued guidance in September 2022 to indicate the categories of expenditure for which the mobilisation payment would be eligible for.
- vi. The categories of eligible expenditure include:
 - a. Administration;
 - b. Ancillary that are necessary ahead of retrofitting homes with energy efficiency measures and low carbon heating upgrades;
 - c. Specialist advice; and

- d. Marketing activity for the Home Upgrade Grant two.
- vii. The review of the sampled SWEA expenditure totalling £21,963 confirmed that:
 - a. The actual expenditure incurred correctly complied with the guidance issued by DESNZ; and
 - b. The analysis statement provided by SWEA was suitably documented.
- viii. The Council received the mobilisation payment grant for £30,000 from DESNZ on 27th February 2023, which was subsequently paid to SWEA in March.
- ix. Based on a review of records maintained by the Council and SWEA, Internal Audit has gained assurance that the conditions of the grant determination have been met.
- x. Internal Audit can confirm the unused £4,668 funding, can be carried forward to be spent on eligible expenditure from June 2023 onwards.

2.10 Activity Name- Fit for the Future (Council Wide)

- i. Assurance Level for this report: Substantial; and
- ii. There is one medium priority recommendation arising from this review.

2.10.1 **Scope** – The aim of the audit was to provide an independent appraisal of the Council's governance arrangements for the programme.

2.10.2 Key Findings

- i. There is a substantial level of assurance and good programme governance operating over all elements of the Fit for the Future programme.
- ii. A clear organisational structure, milestone plans, decision making processes, benefits analysis, and a management reporting structure were noted to be in place and operating effectively throughout the review.
- iii. A clear set of investment options and financial decisions have been documented and reviewed as evidence. The subsequent recording of financial expenditure and communication of this to the correct leadership teams also exists.
- iv. Throughout the audit, a thorough knowledge and understanding of the programme was demonstrated including:
 - a. Clear workstreams and objectives;
 - b. The alignment of programmes (and projects) with the Council's strategy and plans; and
 - c. Reporting structures and detail.
- v. There were also several good examples of additional layers of assurance operated by the programme team. These included:
 - a. Clearly documented "discussion provoking sessions";

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- b. Clear choices laid out for senior management on structural or organisation change options; and
 - c. “Blue sky thinking” outside of normal management assurance practices.
- vi. Benefits analysis, both in terms of operational transformations and cost savings are identified and tracked through the stages of the programmes. Reporting of these benefits is regular and frequent. There is a gap between the initial savings target for the programme and the current forecasted savings. This gap is well documented and clearly the subject of a number of Senior Management (including the Section 151 Officer) reviews. The original target dates back over two years and pre-dates the current programme team. Since the original target was set, the programme has been re-baselined and much of the governance, key controls and management oversight that now exists put in place. Some of these key controls give a better level of assurance over the current forecast savings. And monitoring of the achievement of those savings, presenting clear evidence of the range of measures put in place with the potential to generate further savings.
- vii. The programme team presented a significant amount of evidence covering the oversight, day to day monitoring, project and programme management, and reporting. The evidence seen confirms that these elements are robust and being delivered.
- viii. A continuation of the current focus and also the prevailing assurance arrangements operating over these forecasts should ensure the programme maximises its potential benefits delivery. And provide clear evidence to support the actual value of future benefits delivered.

Risk: Maximisation of benefits from the programme will not be achieved.

Recommendation: The Council should review existing agreed benefits to confirm they remain appropriate and review potential future benefits to confirm they align with the council’s strategic objectives. Target date: To be confirmed.

2.11 Treasury Management and Ethical Investment Policy (Service Area: Resources)

- i. Assurance Level for this report: Substantial;
- ii. Recommendations arising from this review have been prioritised as:

| | |
|------------------|---|
| High Priority: | 0 |
| Medium Priority: | 2 |
| Low Priority: | 0 |
| Rejected: | 0 |

2.11.1 Scope – The aim of the audit was to review the procedures and controls in place with regard to Treasury Management and the Ethical Investment Policy.

2.11.2 Key Findings

- i. Testing confirmed that the Treasury Management Investment Strategy 2023-24 includes all expected elements, including the liability benchmark which is the most recent addition to the CIPFA Treasury Management guidance.

- ii. It was confirmed that the Treasury Management Strategy for 2023-24 is based on the forecast borrowing and the cash balance as at the 31st March 2023.
- iii. Cash and treasury fund balances are reviewed daily, and the Treasury Management control spreadsheet is updated. Once a week, a different officer completes the daily treasury management review of balances this ensures knowledge is shared, should key staff be unavailable.
- iv. Eighteen of the cash deposits held on the 24th May 2023 were reviewed. The deposits were with approved counterparties and within treasury management limits.
- v. It was noted that a deposit in the Barclays FIBCA account of £1,433.68 is historic interest and as such this sum should be transferred to an appropriate alternative bank account. The retention of the Barclay FIBCA account should be reviewed.

Risk: Bank accounts no longer required or operational should be closed as they still must be included in reconciliations and could potentially be used inappropriately to facilitate the transfer of funds.

Recommendation: The Barclays FIBCA account balance of £1,433.68 is historical interest and should be transferred to an appropriate alternative bank account and the retention of the Barclay FIBCA account reviewed. Target date: 30th November 2023.

- vi. The Council's investments are assessed quarterly by Camdor Global Advisors. The assessed Ethical, Social and Governance ratings are reported to the Audit and Standards Committee.
- vii. It was confirmed that the Treasury Manual details the mitigation controls in place for each type of treasury risk. Testing undertaken in this review verified that the controls are in place and operating as intended.
- viii. The Treasury Management reports presented to the Audit and Standards Committee were reviewed. It was confirmed the level of detail presented was appropriate and in line with CIPFA Treasury Management guidance.
- ix. Members have received training on Treasury Management matters, and it is detailed in the annual Treasury Management outturn report. It would be beneficial if Members also completed the CIPFA Effective Scrutiny of Treasury Management self-assessment in respect of the 2023-24 financial year on or after the year end.

Risk/Opportunity: The self-assessment will ensure the Audit and Standard Committee Members have the appropriate skills to discharge their role in monitoring Treasury Management activities.

Recommendation: To ensure Members have the appropriate skills to assess Treasury Management activity the Audit and Standard Committee Members should complete the CIPFA Effective Scrutiny of Treasury Management self-assessment. The self-assessment to be completed in respect of the 2023-24 financial year on or after the year end. Target date: 30th June 2024.

- x. The approved limits for Treasury Management were reviewed. The results confirmed that a minor non-material breach was resolved, and no other breaches were found.

Appendix A

2.12 Council Tax Energy Support Grant (Service Area: Resources)

- i. Assurance Level for this report: Substantial;
- ii. Recommendations arising from this review have been prioritised as:

| | |
|------------------|---|
| High Priority: | 0 |
| Medium Priority: | 1 |
| Low Priority: | 0 |
| Rejected: | 0 |

2.12.1 Scope – The aim of the audit was to provide assurance that, in all significant respects, the conditions of the relevant Council Tax Regulations has been complied with.

2.12.2 Key Findings

- i. The Council Tax (Demand Notices and Reduction Schemes) (England) (Amendment) Regulations 2022 came into force on 12th February 2022.
- ii. The core scheme provided a one-off £150 Energy Support Grant to support households for 2022-2023.
- iii. The Council's grant funding of £6.15m was provided by the Department for Levelling Up, Housing and Communities.
- iv. Inspection of the second line of defence monitoring reconciliation with sufficient supporting evidence, confirmed that the total grants paid was £6.12m.
- v. The Department for Levelling Up, Housing and Communities requested an updated report on the 2022-2023 Energy Support Grant awards as at 30th June 2023.
- vi. Inspection of the report at v, verified that £3,000 had been paid to ineligible households, and the debt had not been recovered.
- vii. The inherent risk that this Council Tax debt for 20 households may be problematic to recover, should result in immediate relevant action being taken by Revenues staff.

Risk: Grants were awarded to ineligible residents.

Recommendation: Instigate a first line of defence set of Council Tax procedures and controls to recover the incorrectly paid Energy Support Grant, from the 20 Council Taxpayers totalling £3,000. Target date: 30th September 2023.

2.13 Activity Name: Planning Enforcement Consultancy – Final Report (Service Area: Place)

- i. An assurance level was not provided for this activity as it was consultancy.
- ii. There were no recommendations arising from this review.

2.13.1 Scope – Within the 2022-23 Internal Audit plan, there is provision for Internal Audit consultancy to provide input during the development stage of the Enterprise system.

Goal three of the service's Business Improvement Plan is to "Review and update back-office set-up and upgrade IT software infrastructure, including improving data." Included within goal three, is the introduction of the Enterprise software, to facilitate a performance framework and improved case management referral monitoring.

This is an update report to the one circulated at the Audit and Standards Committee meeting on 29th November 2022.

This is an update report to the one circulated at the Audit and Standards Committee meeting on 29th November 2022.

2.13.2 Key Findings

- i. The Planning Support Team Leader had been assigned with the responsibility for introduction of the Enterprise software for operational use.
- ii. The new Planning Enforcement Operational Protocol was introduced from 1st January 2023.
- iii. The staff guidance procedures to operate the functionality of the Enterprise system were reviewed with the objective of assessing their clarity and completeness. Suggested amendments to the staff guidance identified by Internal Audit were correctly updated.
- iv. An Enterprise task parameter in the workflow has been included which will recognise any cases which have had no inspection or action for two months. This parameter will be a useful monitoring control to reduce the risk of cases being overlooked.
- v. Testing of the workflow task "Update to the Referrer" was completed, the results confirmed:
 - a. The procedure parameter alert was correctly set at 30 days, which is compliant with section seven of the Operational Protocol; and
 - b. Details of an Enforcement Officer's assessment of what needs to be communicated to the Referrer (within notepad screen) was successfully downloaded into the draft letter ready to be sent.
- vi. Internal Audit suggested that if a retrospective planning application is required, an Enterprise task should be included which evidences this assessment. Action taken:
 - a. A letter addressed to the landowner clearly setting out the reasons why the application is required was added; and
 - b. The procedure note for staff was successfully created.
- vii. As a result of completing an investigation, the Enforcement staff's judgement as to the level of action to be taken, has been correctly formulated into six workflow decision types. The decision type classifications correctly aid the subsequent monitoring and sign-off controls.
- viii. In the Enterprise control parameters, workflow alerts being created will facilitate assisting Planning Enforcement staff at all responsibility levels to manage their workload in line with the Operational Protocol.

Appendix A

- ix. The Enterprise IT system for Planning Enforcement Officers was activated live in March 2023. As a result of live implementation, the Planning Support Team Leader has created a useful issues log. Inspection of the issues log records that only minor problems for three cases were identified, and IT control parameters have been updated and strengthened to prevent the error happening again.
- x. Internal Audit have gained appropriate assurance that the Enterprise system control environment has been correctly established.
- xi. Goal three of the Planning Enforcement improvement plan breaks down the roll out of Enterprise IT into three phases:
 - a. Booking in and triage;
 - b. Enforcement investigations and casework; and
 - c. Formal enforcement action.

Phase one and two have been successfully implemented, with phase three forecast to be implemented in Autumn 2023.

3.0 Counter Fraud Update – Summary of Counter Fraud Activities

3.1 Current Year Counter Fraud Activities

- i. To date in 2023-24 there has been one new irregularity referred to the ARA Counter Fraud Team (CFT). This case is ongoing and outcomes will be reported on completion.
- ii. Not all investigations (for example conduct, non-compliance and ethics issues) can have an assessed value attached to them or result in the recovery of monies. CFT investigations, analytics and consultative work may add value in other ways such as providing assurance to members and residents, reducing Council vulnerabilities and mitigating risk.
- iii. It should be noted that many of the cases referred to the CFT involve intricate detail and, sometimes, police referral. This invariably results in a delay before the investigation can be classed as closed and the summary outcome reported to Committee.
- iv. In addition to the above, counter fraud advice and alerts are routinely provided outside of the creation of referrals and cases.
- v. The CFT is continuing to work on a number of projects including but not limited to:
 - a. Updating of the Counter Fraud Strategy, Statement and Policy;
 - b. Reviewing the Council's Fraud Risk Management arrangements to:
 - enable the introduction and management of a 'live' Fraud Risk Register; and
 - provide advice and guidance on undertaking fraud risk assessments.
 - c. Maintaining the Council's counter fraud intranet and webpages.

3.2 Previous years' referrals closed case

- i. The CFT continued to work on one Covid-19 grant related case. This has now been closed. This was a small value grant of £1,500. The recipient failed to engage with the CFT or SDC staff and the debt has been returned to the Department for Business and Trade for recovery.

3.3 National Fraud Initiative (NFI)

- i. Internal Audit continues to support the NFI which is a biennial data matching exercise administered by the Cabinet Office. SDC data for the 2022-23 NFI exercise has been uploaded successfully and is considered compliant.
- ii. Data matches have been released by NFI and are now available for SDC teams to review.
- iii. The full NFI timetable can be found using the link available on GOV.UK – <https://www.gov.uk/government/publications/national-fraud-initiative-timetables>.
- iv. Examples of data sets includes housing, insurance, payroll, creditors, council tax, electoral register and licences for market trader/operator, taxi drivers and personal licences to supply alcohol.
- v. Not all matches are always investigated but where possible all recommended matches are reviewed by either Internal Audit or the appropriate service area within the Council.

3.4 International Fraud Awareness Week

- i. The Council is a supporter of International Fraud Awareness Week (IFAW). In 2023 IFAW is 12th to 18th November. As in previous years the CFT will share fraud awareness articles, details of the latest scams and how to avoid falling victim to the scammers nearer the time. nearer the time.

3.5 National Anti-Fraud Network (NAFN)



- i. NAFN is a public sector organisation which exists to support its members in protecting the public interest. It is one of the largest shared services in the country managed by, and for the benefit of its members and currently hosted by Tameside MBC.
- ii. Membership is open to any organisation which has responsibility for managing public funds and/or assets. Use of our services is voluntary, which ensures we deliver value for money. Currently, almost 90% of local authorities are members and there are a rapidly growing number of affiliated wider public authorities including social housing providers.
- iii. Many potential attempted frauds are intercepted. This is due to a combination of local knowledge together with the credible national communications including those from the NAFN being swiftly cascaded to teams where more national targeted frauds are shared for the purpose of prevention.

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| Ref | Plan Quarter | Actual Quarter | Dept. | Audit | Comment | Risk | Status Now | Status Last Report | Comments |
|-----------------------------------|--------------|----------------|--------------|--|-------------|-------------|---------------------|---------------------|---|
| Completion of 2022-23 Work | | | | | | | | | |
| 1 | 1 | 1 to 4 | Communities | Leisure Facilities – Stratford Park | Assurance | High | Final Report Issued | Field Work Started | Leisure facilities activity split into two tranches - Stratford Park and The Pulse. |
| 2 | 1 | 4 | Place | Canal Restoration Project – Risk Management | Assurance | High | Draft Report Issued | Planned | Quarter 4 delivery request from service management agreed. |
| 3 | 1 | 2 | Place | Planning Enforcement | Consultancy | Consultancy | Final Report Issued | Final Report Issued | Reported to July 2023 Committee. |
| 4 | 1 | TBC | Resources | IT Applications Management | Assurance | High | Planned | Planned | Conclusion of in progress ICT activities prioritised. Audit planning on hold. Potential for audit deferral. |
| 5 | 2 | 2 to 4 | Communities | Cleaner Estates Strategy (Refuse) | Assurance | High | Final Report Issued | Draft Report Issued | Reported to July 2023 Committee. |
| 6 | 2 | 2 to 4 | Communities | Leisure Facilities – The Pulse | Assurance | High | Final Report Issued | Field Work Started | Leisure facilities activity split into two tranches - Stratford Park and The Pulse. |
| 7 | 2 | 4 | Communities | Safeguarding | Assurance | High | Field Work Started | Planned | Planning initiated within Quarter 2. Audit delivery to occur from Quarter 4. |
| 8 | 2 | TBC | Resources | Member Expenses | Assurance | Medium | Planned | Planned | Potential for audit deferral, due to agreed new high priority activities within the 2022-23 Plan. |
| 9 | 2 | 4 | Resources | Risk Assurance Mapping | Consultancy | Consultancy | Field Work Started | Planned | Quarter 4 delivery agreed. |
| 10 | 3 | | Council Wide | Contract Management Framework | Assurance | High | Draft Report Issued | Field Work Started | |
| 11 | 3 | | Council Wide | Fit for the Future Programme | Assurance | High | Final Report Issued | Field Work Started | Deferred from 2021-22 Plan. |
| 12 | 3 | | Resources | Insurance | Assurance | High | Field Work Started | Field Work Started | |
| 13 | 4 | | Communities | Housing Voids – Follow-Up | Assurance | High | Final Report Issued | Field Work Started | Reported to July 2023 Committee. |
| 14 | 4 | | Place | Planning Enforcement – Follow-Up | Assurance | High | Final Report Issued | Planned | Reported to July 2023 Committee. |
| 15 | 4 | | Place | Sustainable Warmth Grant (Home Upgrade Grant Phase 1) | Assurance | High | Final Report Issued | Field Work Started | |
| 16 | 4 | | Place | Sustainable Warmth Grant (Local Authority Delivery Scheme Phase 3) | Assurance | High | Final Report Issued | Field Work Started | |
| 17 | NEW | 4 | Resources | Right To Buy | Assurance | High | Field Work Started | Planned | New activity. |
| 18 | 4 | 4 | Resources | Treasury Management and Ethical Investments Strategy | Assurance | High | Final Report Issued | Planned | |
| 19 | NEW | 4 | Council Wide | Section 31 Biodiversity Net Gain Grant | Grant | High | Final Report Issued | Planned | |
| 20 | NEW | 4 | Resources | Covid 19 Business Grants – Post Payment Assurance (Tranche 2) | Assurance | High | Final Report Issued | Final Report Issued | Reported to July 2023 Committee. |
| Work Planned for 2023-24 | | | | | | | | | |
| 1 | 1 | N/A | Communities | Out of Hours Emergencies -Limited Assurance Follow-Up | Assurance | High | Field Work Started | | To review the operating effectiveness of the control environment post implementation of the agreed management actions to address the recommendations emanating from the 2021/22 Internal Audit review. |
| 2 | 1 | N/A | Communities | Section 20 Leaseholder Service Charges | Assurance | High | Planned | | To review the effectiveness of the Council's arrangements for managing Section 20 Leaseholder Service Charges. |
| 3 | 1 | 1 | Communities | Social Housing Decarbonisation Fund Wave 1 | Assurance | High | Final Report Issued | | Grant review. Report issued June 2023. |
| 4 | 1 | N/A | Resources | Corporate Asset Management Strategy | Assurance | High | Planned | | To review the adequacy and operating effectiveness of the arrangements for management of the Council's property portfolio. |
| 5 | 1 | N/A | Resources | ICT-Liberty Create | Assurance | High | Planned | | To review the adequacy and operating effectiveness of the Council's Liberty Create development platform. |
| 6 | | 2 | Place | Sustainable Warmth Grant (Home Upgrade Grant Phase 1) | Assurance | High | Final Report Issued | | Grant review. Report issued June 2023. |
| 7 | 2 | N/A | Resources | ICT Back Up Process | Assurance | High | Planned | | To review the adequacy and operating effectiveness of the Council's ICT back up arrangements. |
| 8 | 2 | N/A | Resources | Payroll Administration | Assurance | High | Planned | | To review the adequacy and effectiveness of the systems and processes following implementation of the new Human Resource and Payroll system. |
| 9 | 2 | 2 | Communities | Damp and Mould-Housing Stock | Assurance | High | Final Report Issued | | To review the adequacy of the Council's arrangements for the management of damp and mould within their housing stock. |
| 10 | 2 | N/A | Communities | Housing Management System-Project Management | Assurance | High | Planned | | To review the effectiveness of the project management arrangements for implementation of the new housing management system. |
| 11 | 2 | 2 | Resources | Phase 3b Decarbonisation Scheme | Assurance | High | Draft Report Issued | | To review the adequacy of the Council's arrangements for compliance with the terms and conditions of the funding agreement. |
| 12 | 2 | N/A | Communities | Homelessness Prevention | Assurance | High | Planned | | To review whether the Council has appropriate arrangements for the prevention of homelessness to ensure compliance with legislation and regulation. |
| 13 | 2 | N/A | Place | Developer Contributions | Assurance | High | Planned | | To assess whether the Council has a robust control environment for the administration, management, and monitoring of developer contributions. |
| 14 | 2 | N/A | Communities | Changing Places Fund Grant Determination | Assurance | Medium | Planned | | To review compliance with the terms and conditions of the grant funding arrangements to enable certification. |
| 15 | NEW | 2 | Resources | Council Tax Energy Support Grant | Assurance | High | Final Report Issued | | This audit was requested by Andrew Cummings, Strategic Director of Policy and Resources, due to the Dept for Levelling Up, requesting sight of an Internal Audit report. |
| 16 | 3 | N/A | Resources | Risk Management Follow-Up | Assurance | High | Planned | | To review whether the management actions to address the recommendations emanating from the 2021/22 Internal Audit review have been implemented in full. |
| 17 | 3 | N/A | Communities | Damp and Mould Private Sector | Assurance | High | Final Report Issued | | To review the adequacy of the Council's arrangements for the management of damp and mould within the private sector. |
| 18 | 3 | N/A | Resources | ICT Asset Management | Assurance | High | Planned | | To review the adequacy and operating effectiveness of the arrangements for management of the Council's ICT assets. |
| 19 | 3 | N/A | Resources | Cash and Bank | Assurance | High | Planned | | To review the cash and bank reconciliation and monitoring arrangements to confirm the Council's financial transactions have been correctly and fully accounted for in its financial accounting system. |
| 20 | 3 | N/A | Resources | Brimscombe Port Management Accounts | Assurance | Medium | Planned | | To verify the accuracy of the management accounts to enable certification sign-off, to conform with the funding agreement. |
| 21 | 4 | N/A | Communities | HRA Delivery Plan | Assurance | High | Planned | | This review will seek to determine whether the Council's HRA Delivery Plan is being periodically reviewed and refreshed. And, agreed actions are being actively progressed in line with the stated target delivery dates. |
| 22 | 4 | N/A | Communities | Business Continuity | Assurance | High | Planned | | To review the adequacy of the Council's Business Continuity Management arrangements in the event of a cyber-attack. |
| 23 | 4 | N/A | Resources | ICT DR and Cyber Incident Response Arrangements LAFU | Assurance | High | Planned | | To review whether the agreed management actions to address the recommendations emanating from the previous Internal Audit review have been implemented in full. |

Appendix A1

| Ref | Plan Quarter | Actual Quarter | Dept. | Audit | Comment | Risk | Status Now | Status Last Report | Comments |
|--|--------------|----------------|---------------|---|-----------|------|---------------------|--------------------|---|
| 24 | 4 | N/A | Resources | ICT Security Information and Event Management Process | Assurance | High | Planned | | To review the adequacy and operating effectiveness of the Council's Security Information and Event Management processes. |
| 25 | 4 | N/A | Resources | People Strategy | Assurance | High | Planned | | To review the effectiveness of the Council's arrangements for people management. |
| 26 | 4 | N/A | Communities | Emergency Planning | Assurance | High | Planned | | To review the adequacy of the Council's Emergency Planning arrangements to ensure these are in compliance with the Civil Contingencies Act 2004. |
| 27 | 4 | N/A | Resources | National Non-Domestic Rates - Opening Debits | Assurance | High | Planned | | To provide assurance that the NNDR opening debit has been correctly calculated, and that appropriate notifications have been received advising of the NNDR multipliers and transitional relief rates; and these are reflected in the NNDR system (CIVICA Open Revenues system). |
| 28 | 4 | N/A | Resources | Council Tax-Opening Debits | Assurance | High | Planned | | To provide assurance that the Council Tax opening debit has been correctly calculated and reflected in the Council Tax system. |
| Work Planned for Throughout 2023-24 | | | | | | | | | |
| 27 | Throughout | N/A | Resources | Grants-Contingency | Grants | High | Ongoing | | Provision for reviews to assess the effectiveness of the governance arrangements to ensure compliance with the terms and conditions of the grant. |
| 28 | Throughout | N/A | Communities | Leisure Facilities-Local Authority Trading Company | Assurance | High | Final Report Issued | | Provision of risk and control advice as part of the future program for introducing the Local Authority Trading Company. |
| 29 | Throughout | N/A | Resources | Post Payment Assurance | Assurance | High | Ongoing | | Support provision for ongoing validation checks on payments. |
| 30 | Throughout | N/A | Counter Fraud | Counter Fraud | Assurance | | Ongoing | | Counter Fraud activity progresses throughout the year and is reported at each Committee. |

Key:

- The audit has started or will start on time.
- The audit commencement has been or is likely to be delayed.
- The audit is not likely to be undertaken in this financial year.

TBC: To be confirmed.
 N/A: Not applicable.

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